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It's Time to Reclaim the Soul of Civil Rights

Clarence Thomas: "You're not going to run me out of town."

Economic Emancipation: Jim Crow Must Finally Go

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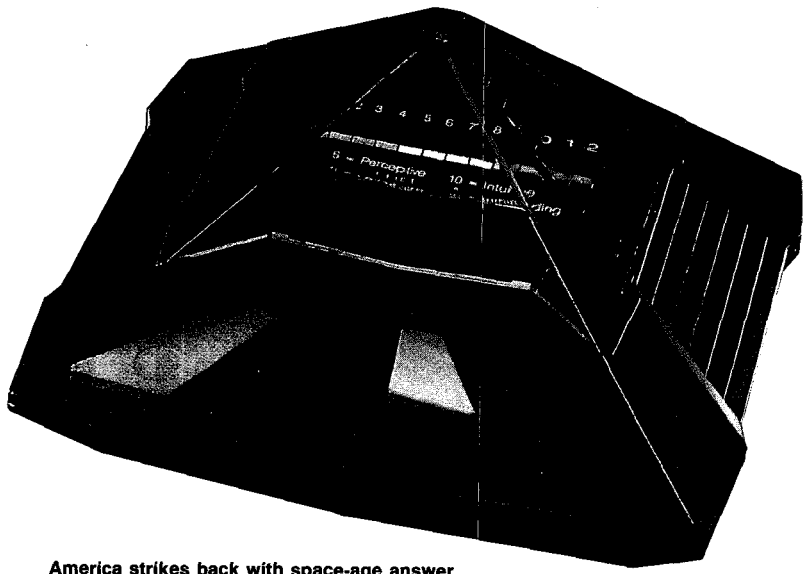
Russia Strikes First

Soviets discover psychic powers as new weapon. All Americans affected.



America strikes back with space-age answer. "Could this be better than a Star Wars defense?"

By Joseph Sugarman

It was top secret. And even if somebody told you about it, you'd have a rough time believing it.

It started with the Russian space program. The Russians had discovered that astronauts who had the best intuition made the best decisions. And in crisis or war, better decisions could mean victory.

But they made an even more significant discovery that was to shake the foundations of NASA—our very own space agency. The Soviets discovered that they could actually teach people to have better intuition, thus increasing their psychic powers and consequently capture a decided military advantage.

MILITARY ADVANTAGE

Imagine being able to sit behind the controls of a military jet and predict what your opponent will do. Or know in advance if it will be safe for you to even fly that day.

Millions of dollars later, NASA, under a major research program, developed a teaching machine that would accomplish what the Russians had spent 20 years of research to discover. But NASA kept it secret. And for good reason. The American public was not ready to accept psychic phenomena as a military tool even in this era of space ships and Star Wars.

A group of scientists who worked on the project for NASA felt however, that they could create the same psychic teaching system that NASA developed for its astronauts and reduce its cost so that the average American could afford one. The entire country would then benefit. And so the first psychic teaching system was created. It is called Perceptron.

The principle behind Perceptron is simple. We all have psychic ability. Have you ever picked up the phone to hear somebody you had just thought about? Or how about those times when your intuition told you one thing and you did another only to discover that your intuition was right.

But our psychic powers often come at fleeting moments. If we could, however, remember our feelings when those moments occur, and then learn to recreate those feelings at will, we will become more psychic. Perceptron teaches you to discover those feelings.

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Then came the breakthrough. I was in New York on a photo assignment to take pictures of a famous baseball star. His team had lost the past few games. After I finished taking his picture and as I was walking off the field, I remembered that special feeling that Perceptron had helped me discover. I then turned to the ball player and said, "Don't worry, Keith, you'll win tonight by a score of 3 to 2 and you'll have an evening you'll never forget."

OUTGUESS COMPETITION

That night his team won 3 to 2 and he indeed had an evening he'll never forget. Although my experience in predicting a ball score may seem rather trite, I have since used my newly trained ability to dramatically build my business and outguess my competition—often doing things that defied logic but worked out well. But I'm not alone. Hundreds of people are already using their intuition for everything from predicting the stock market to understanding their friends. And it's only the start.

I urge you to test a Perceptron and discover your psychic abilities while you train your intuition. Order one from JS&A on our 30-day free trial. When you receive it, use it for a few weeks. Watch as you gradually tune into your intuition and increase your score thanks to the same teaching system developed for NASA. But use it for other things. Liven up your next party and discover your psychic friends. Use it on a date or to pick your favorite stock.

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Free Minds and Free Markets

November 1987 / Vol. 19, No. 6

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From Dependency to Dignity
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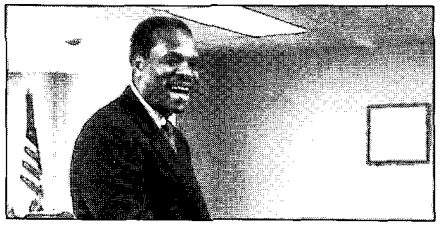

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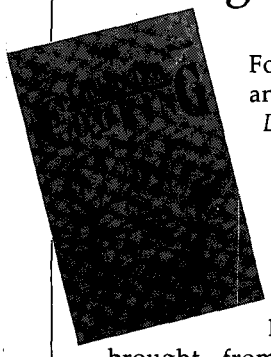
What
are those libertarians cooking up now?



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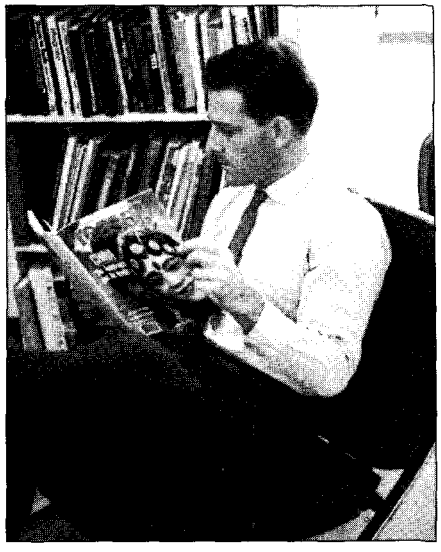
upfront

Who Are You, Joe Reason?



So there you are out there in Readerland, leafing through our monthly missive. What do you think of it? What do you think in general? And who are you, anyway?

Every couple of years we ask you—or at least a random sample of you. Based on your answers to our latest survey, we've come up with a composite portrait.

Call him Joe Reason. He is, first of all, a he (90 percent), probably married (60 percent), and prosperous ($46,000 average personal income). As you could guess from a typical Letters column, Joe may well live in California (19 percent of subscribers live here, followed by 8 percent in New York).

Joe is young (29 percent under 35; 58 percent under 45), well-educated (78 percent college graduates; 38 percent with a doctorate, master's, or professional degree), and works in a "professional specialty occupation" (33 percent)—a rather broad category that covers a multitude of sins, including journalism. Not yet a hard-core yuppie, Joe owns a VCR (68 percent) but probably no BMW (only 14 percent have German cars). And he's a pretty generous fellow, both with his money (83 percent give to charity) and time (33 percent do volunteer work).

Politically, he describes himself as a libertarian (58 percent, followed by 26 percent conservative). He opposes retaliatory import restrictions (88 percent), bans on "adult movies" on cable TV (80 percent), and the government's drug war (59 percent); he wants to privatize Social Security (81 percent). On foreign policy, he's fairly hawkish. He supports U.S. aid to the *contras*—both nonmilitary (54 percent) and military (46 percent, a plurality)—and he backs "Star Wars" (66 percent).

In REASON, Joe is most likely to read Brickbats (69 percent always read), followed by Editorials (61 percent), Trends (59 percent), and Viewpoint (52 percent). Lest we fear for his attention span, he assures us that he reads investigative articles (51 percent always read), public policy articles (48 percent), and cover stories (46 percent).

We asked about four cover stories, from February to May. Joe's favorite was "Real Life Behind China's Changes" (47 percent liked very much), his least favorite, the interview with Charlton Heston (24 percent). Among noncover stories, he praised Thomas Sowell's "Visions of Man" (48 percent).

When he's not perusing our pages, Joe reads history (60 percent) and fiction (58 percent)—including science fiction (39 percent) and mysteries (25 per cent)—as well as current affairs (52 percent) and philosophy (48 percent). Chances are, he reads a popular science magazine (46 percent) but not another "think magazine" (*National Review* topped the list at 24 percent).

So, Joe, it's nice to meet you. If there's anything else we should know, drop us a line. We'd love to hear from you.

Congratulations to REASON's editorial intern, James Taranto, who was a runner-up in the Institute for Humane Studies' Felix Morley Memorial Prize student journalism contest. James's Viewpoint appeared in the June issue, he has contributed to Trends for several months, and you can expect to hear more from him in future issues.

—Virginia I. Postrel

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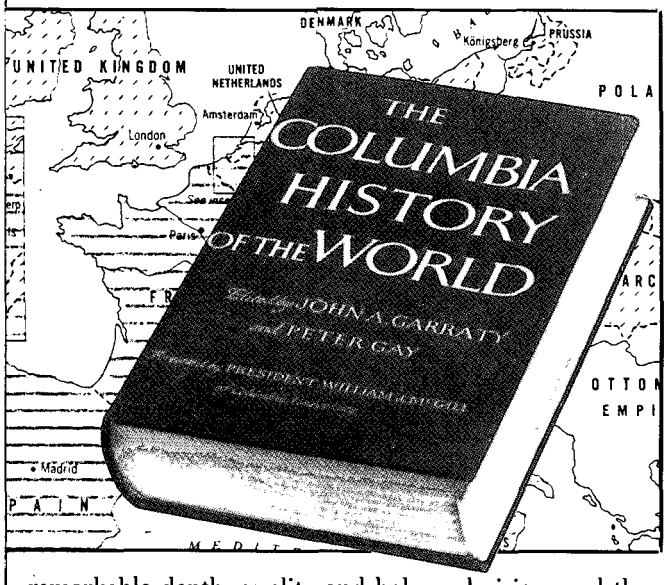

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letters

Homelessness Meets Heartlessness?

The consensus among the new breed of social theorists is that a society that seeks to aid people in distress is actually performing an "intellectual and moral disgrace," for aid actually stifles the initiative for self-reliance that would otherwise result from these distressed individuals. One might argue that this is an optimistic view of human potential, but based upon the countless articles, books, and speeches I have read and listened to from conservatives and libertarians alike, it is a naive notion, stemming from a silent contempt they have for the underprivileged. Martin Morse Wooster ("The Homeless Issue: An Adman's Dream," July) reflects that contempt, which men such as George Gilder and Charles Murray support and have written about in skillful semantics.

As in defense and other government spending, the answer is reforms and limitations of social programs, not total elimination. Demonstrating concern for the poor does not make me an advocate of the welfare state; instead, it liberates me from the absurd notion that society is better off by leaving a mentally ill street-corner bum to fend for himself (and it is just tough if there is not enough private charity to go around). A political movement that eliminates compassion from its agenda through economic rationalizations is doomed to failure.

Roberto Santiago
New York, NY

MARTIN MORSE WOOSTER evades two issues that deserve attention from defenders of individual liberty.

The first issue is the massive violation of the civil liberties of homeless people through involuntary psychiatric interventions. The psychiatric industry has used billions of tax dollars to imprison innocent individuals and torture them with Thorazine, ECT, insulin coma, lobotomy, wet and cold packs, and the like. When caring for their desocialized victims became too costly, psychiatrists dumped them onto the streets. Having caused much of the problem in the first place, the American Psychiatric Association, the National Institute of Mental Health, and the rest of the psychiatric lobby have labeled homeless people mentally ill *en masse* and are demanding easier commitment laws.

The other issue is rent control. The best way to help homeless people is to encourage the development of more low-income housing. Considering the laws of supply and demand, the repeal of rent control laws would clearly reduce the number of homeless people in the long term. Anyone not convinced of this should read Henry Hazlitt's *Economics in One Lesson.*

Above all, homeless people are individuals. As Thomas Szasz suggests, they value liberty more than most of us. They fear psychiatric imprisonment and torture like the plague. All of us should support their right to be free of psychiatric, economic, and governmental paternalism. There is no reason to concede a monopoly on compassion to the advocates of such paternalism.

Stephen Mendelsohn
New Britain, CT

I WAS INTRIGUED by that portion of your article regarding the homeless that said, "UMTA is in on the action to figure out how homeless people can use public transportation." This is misleading. In fact, the UMTA grant to which you refer was made in 1986 to Community Family Life Services Inc. (CFLS) in the amount of $80,000 to help transport unemployed and disadvantaged residents of the District of Columbia to jobs in the suburbs. CFLS is a health and welfare agency that provides food, clothing, counseling, and employment assistance to the poor, homeless, and ex-offenders.

This UMTA grant, through the use of

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letters

smaller vehicles and lower costs, helps fund a network that provides unique and important services to disadvantaged people. In addition, these services form an important lifeline to those who would otherwise have limited mobility by taking them from the streets of the city to jobs in the suburbs.

Under provisions of the UMTA grant, CFLS charges its riders $3.00 a day for the round trip and can get them to their jobs in about 30 minutes. Without this service, these workers would have to pay double that amount and it would take them more than an hour and a half to get to work and another hour and a half to get home.

It seems to me that providing such mobility is the bottom-line consideration for all of us in the transportation industry, and I hope this letter helps clarify a legitimate federal effort to act on one of our society's most pressing problems.

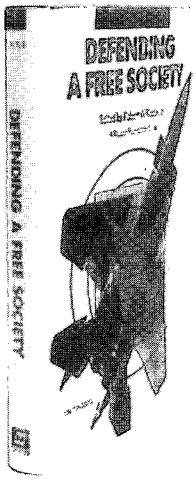
Alfred A. DelliBovi
Urban Mass Transportation Administration
Washington, DC

Choice and Consequences

As we plan to flag Kuwaiti tankers, Ted Carpenter's article on early American foreign policy ("Would the Founders Freak?" Aug./Sept.) serves to remind us that many of our foreign entanglements were once a matter of choice rather than necessity. George Washington thought we could develop strong foreign trade without developing equally strong political relationships abroad, a quixotic view that was probably naive even in its time.

Two hundred years later, a review of foreign affairs suggests that economic and political issues have been almost inextricably intertwined. But our entanglements abroad, which seem so inevitable now, began with choices, at least some of which might have been avoided (though arguably at our peril).

Carpenter points out that any vestige of American isolationism was abandoned when it became clear that the Soviets aimed at world domination. Even without this threat, our economic dependence on foreign oil has led us to devote much political and military attention to



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the Middle East, an area of virtually no import to the United States in Washington's time. Surely the Founders did not anticipate the extent to which the world has become interconnected economically and politically, nor did they imagine the advent of weapons like the ICBM that would pose a long-distance yet immediate military threat to the United States.

Given our economic interests, there is probably no turning back to a time of relative isolationism, but that does not mean we should not make every effort to enhance our independence from foreign resources. Otherwise, we continue to be threatened by the prospect of losing the very freedom that once propelled the nation. Just as Madison sought to develop a system of government in which diversity could flourish within the United States, so we should encourage and respect such diversity in our dealings with foreign governments. And we should not abandon our own democratic processes in attempts to cultivate democracy abroad, lest we become the enemy we fear.

William E. Cooper
Iowa City, IA

No Room for Ideology?

I by chance came across a copy of your magazine and, being a fan of Max Headroom, was immediately drawn toward Ed Crane's essay ("Max Headroom for President," Aug./Sept.). Though disappointed at the scant space afforded Max, I was more saddened by Mr. Crane's other comments.

Most of the Hart campaign staff had been with the senator since before 1984. Yes, a few political mercenaries climbed aboard in 1987. But having been a part of that staff in 1983-84, I can tell you that most were there because they believed in the senator and what his campaign stood for.

Does Mr. Crane seriously expect anyone to believe that an individual would join Gary Hart's campaign in 1983 on the expectation of the spoils to be had in 1984? If I or anyone else were depending on those kinds of odds paying off, the folks in Las Vegas would love to see me anytime.

Each of the present campaigns will have its share of "hired guns," but those will be very much in the minority. People just do not mortgage two years of their lives (personally and financially) in return for little or no pay, terrible working conditions, and the scant hope that their candidate might amount to anything. They may be attracted by the glamour, excitement, and sense of being a small part of history, but they stay because of the shared sense of purpose found in any political effort.

Mr. Crane believes that ideology and principle are inseparable, when they can be found at all in the rampant pragmatism of Washington. Say one believes in the principle of free trade. What is free trade? Mr. Crane and I, with our very different views of the world and our different ideologies, might not agree. Since I don't agree with his view, he claims that I don't really believe in free trade after all, and I in turn say the same about him.

Undaunted, I begin to think about how I might bring my principle of free trade into being. I might work to pass the Gephardt Amendment (one of the worst ideas ever to come down the pike). I might do essentially nothing (the Reagan approach). Or I might try to initiate a new round of multilateral trade negotiations as the most pragmatic answer to the present situation. My pragmatic approach to the problem brought me closer to my principle than I was before, while Mr. Crane is still stuck with a principle my ideology says does not exist.

Clayton E. Smith
Clayton, CA

PITY POOR ED CRANE. He bemoans the lack of ideology in the current presidential campaign and the focus on "marketing" candidates instead. Of course, marketing a candidate is and always has been a reality in American politics. Washington was no ideologue; Jefferson probably was—a decent one at that—and his presidency was far from exemplary.

The 1980 Reagan campaign was a masterful wedding of marketing and ideas. Once in office, Reagan's problems largely stemmed not from disingenuity (though there was some) but a poor "product," that is, Reagan's political agenda. The "deal" with Congress has been rapid, massive military spending for much more modest cuts (generally slowdowns in the rate of increase) in domestic programs. Sorry, Ed, but that's the way the world works.

Robert Capozzi
Arlington, VA

Number Six Is Number One

Bravo to Larry Niven's article on "The Prisoner" (July), perhaps the most evocative science-fiction series to come out of '60s British television. McGoohan's presence as the enigmatic, persistent Number Six was unforgettable—even though I was only seven when the program first aired in America.

Another enduring hero in the science-fantasy genre is Doctor Who, especially as played by Tom Baker. This whimsical time traveler has "a history of support for libertarian causes," according to Davros (evil creator of the Daleks). The Doctor's adventures are amusing, illuminating, and fun for the whole family. Take a trip in the *Tardis* this weekend!

Brent J. Bielema
Fulton, IL

I ENJOYED THE DISCUSSION of "The Prisoner." Although the series occasionally did become surreal, it was not entirely as cryptic as your reviewer suggested.

In his description of the final scenes, Niven left out the most important event. When Number Six finally encounters Number One, the supposed mastermind of the conformist-collectivist-authoritarian Village, he unmasks him to find a creature in an ape mask, tears off the ape mask, and finds himself. McGoohan has stated in interviews that he cut the length of the time his own face was on the screen to about one second, in order to achieve precisely the desired effect. (As an early hint from a prior episode, when Number Six returns to London, his apartment looks nearly exactly like his cottage in the Village, and there is a number one on the door.)

McGoohan's message is that what makes authoritarianism possible is the baser side of humanity, which desires to give up responsibility and allow the

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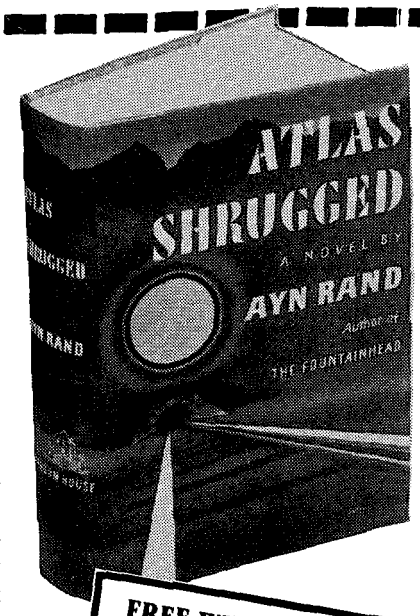

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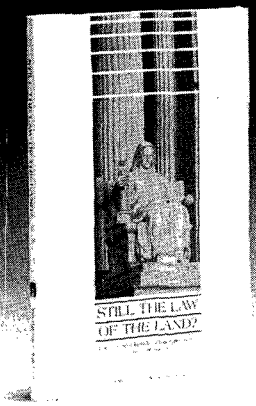

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letters

controllers to control. In one sequence only briefly mentioned in the review, after Number Six has rejected all attempts to control him, the Village's last-ditch effort at getting him to conform is to offer him the job of Controller (that is, Number Two). Number Six accepts this offer in hopes of turning the Village people free, but the mob screams and babbles at him every time he opens his mouth. Number Six suddenly understands that the mob does not want to be free and, even more ironic, that even the controllers are powerless to be independent. They in turn must conform, because they must tailor their actions to the natures of those they control.

His last choice, then, is to escape entirely from the scene of interdependence. When he finally returns to London, the last scenes imply that despite the knowledge Number Six has attained, to fit into society (the macro "Village") he is more or less back where he started in terms of the requirements to conform.

The allegorical aspects of "The Prisoner," while certainly debatable, are clear enough to be observed (as opposed to naked surrealism), and that is what made the show so worthwhile, enjoyable, and enduring.

Robert R. Prechter, Jr.
Gainesville, GA

Watchdog with a Bite

Thank you so much for the discussion of the Competitive Enterprise Institute's "CAT Scan of Congress" (Trends, June). It's good to know there's *one* public policy watchdog group that's concerned with eradicating big government rather than ensuring that big government uses its power to further the interests of narrow interest groups.

Alexei M. Marcoux
New Almaden, CA

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One Democrat to the Rest: Come Home

Bill Kauffman

The Southern poet Donald Davidson, aghast at the centralizing thrust of the New Deal, complained, "It is a queer sort of liberalism that proposes to abolish the evils of the chain-gang by putting everybody in chains." Half a century later, Davidson's remark is no less apposite. The debasement of American liberalism, so tenderly chronicled by historians Vernon Parrington and Arthur Ekirch, has reduced an optimistic philosophy upholding the rights of man to a cynical Great Barbecue at which organized interests impale thee and me with a great pious spit.

What America—and the Democratic Party—needs is a rekindling of the old liberal spirit of its founders, Thomas Jefferson, Andrew Jackson, and Martin Van Buren. The traditional Democratic coalition—workers, farmers, racial minorities, and the elderly—badly needs the admixture of youth and the middle class.

One needn't be a shaggy nostalgist to regard the Democrats as a worthy vessel for a radical, popular liberalism. As recently as the 1960s, several Democratic factions carried the decentralist gene of our forefathers: the conservatives could boast Sen. (later folk hero) Sam Ervin, with his scrupulous defense of constitutional rights; liberal Eugene McCarthy was a brilliant critic of presidential power; Dwight MacDonald and Norman Mailer led a revolt of the literary class against the LBJ-HHH complex; and leavening the counterculture left were the hinterlands chapters of Students for a Democratic Society, drunk on the anarchistic wisdom of Paul Goodman and Henry David Thoreau.

Twenty years later...The Democrats' '88 crop is uniformly dreadful, and it shall not be improved even if one of the shrinking violets (Nunn-Cuomo-Bradley) works up the stamen to enter the race. The Bourbons who control the party have learned nothing from 1984—Harry Hopkins's dictum to "spend and elect, spend and elect" remains their doxology. And the unctuous voices from the right counseling "moderation" really mean that they want two Republican Parties, thus doubling opportunities for right-wing job-seekers.

Yet scattered patches of decency persist, wispy legacies of Ervin, McCarthy, MacDonald, and the SDS. From them one can cobble a nonstatist mosaic that could satisfy the traditional Democratic desiderata of social and economic justice *and* entice the young and middle class away from their GOP suitors.

Herewith, then, a fragmentary program for Democrats who take seriously their proud pedigree. Note that each plank bears at least one set of modern footprints.

- The great philosopher of the early Democracy—John Taylor of Virginia—taught that a widespread distribution of property, particularly land, is vital to a stable republic. To encourage property ownership in our great cities, enact "urban homesteading" legislation of the sort sponsored by Democratic Reps. Robert Garcia (N.Y.), Walter Fauntroy (D.C.), and Richard Gephardt (Mo.). Allow public-housing tenants, singularly or in co-ops, to purchase their abodes at a discount. Alternatively, just give them the damn things.
- Foster worker ownership of the means of production. And by this I mean *control*, not just festooning the board of directors with a Savile Row union boss. Ex-senator Russell Long and '88 candidate Bruce Babbitt are employee stock-ownership plan (ESOP) enthusiasts; a more radical model is the astonishing network of private co-ops in Mondragon, Spain. (Employee ownership is also the key to unloading state enterprises.)
- Relieve farmers of the crushing burden of local property taxes. Open the heretofore closed export market of Cuba, as Rep. Bill Alexander (Ark.) and American Agriculture Movement leader Wayne Cryts propose.
- "Fight for the right," as the band Green on Red preaches, "of free speech and assembly, and honky-tonk Saturday nights." That is, refrain from enacting morals legislation: let the GOP reign as the party of the Meese Commission, urine tests, and the 21-year-old drinking age. Republican strategists fear that the party's censorship faction will drive America's youth into Democrat hands: spread the welcome mat.
- Defend traditional American liberties as well. Protect the right of the people to keep and bear arms, which populists ranging from Wayne Cryts to the Black Panthers have recognized as the palladium of liberty. Prevent state harassment of religious schools, as Jesse Jackson has demanded.
- Empower the individual; castrate the bureaucracy. Adopt a taxpayers' bill of rights championed by Sens. David Pryor (Ark.) and Harry Reid (Nev.). Revive ex-senator Jim Abourezk's amendment to create a national initiative and referendum mechanism.
- Seek justice for racial and ethnic minorities. To recompense American Indians for centuries of carnage and theft, cede federal lands to aggrieved Indian tribes. (Sen. Bill Bradley (N.J.) is exploring this option.) Remove racist immigration restrictions and allow Mexicans and others to freely enter this country, with the proviso that they will be

ineligible for government social services.

• Abolish occupational and licensing laws. Emancipate cabbies and vendors, yes, but also strip the arrogant priests of the medical and legal professions of their monopoly status. Liberating midwives, nurses, and paralegals, as former California governor Jerry Brown attempted, is a genuinely proconsumer act.

• Slash corporate welfare. Not only the obvious targets—the Export-Import Bank, the International Monetary Fund, the $20-billion space-station boondoggle—but also the pork-barrel waste of the military-industrial complex. And ask Wisconsin's Sen. William Proxmire if a Democrat can win on a populist anti-spending platform.

• Bring the boys home: abstain from foreign entanglements that don't directly threaten American liberties. Withdrawing from expensive and counterproductive involvements such as NATO and Central America can save upwards of $150 billion and forestall the trek of poor, rural, and working-class kids to the abattoir of war. Rep. Pat Schroeder (Colo.) has done yeoman work reexamining our foreign commitments.

A painfully incomplete list, yes. But it is a far sight closer to the Democratic main current than the GoreBidenSimon gruel or the declamations of the most prominent party reformers: the technocratic neoliberals and the hawkish disciples of the departed Scoop Jackson. Their common concern is reviving the draft, a good way to lose a generation.

The tragedy of American politics is encapsulated by historian Richard Hofstadter's question: "How [did] the laissez-faire ideas that seemed so radical in some of the left-wing Jacksonians" turn up as reactionary apologias for the status quo just decades later? The task of modern Jacksonians—who see liberty not as a license for greed but as the great leveler and guarantor of opportunity—is to refurbish the grand old Democratic house; to kick out the charlatans and wastrels who've run the manse into the ground; and to unfurl anew the inspiriting Jefferson-Jackson banner, "Equal rights for all; special privileges for none." Any takers? r

Next month: Bob Poole on the Republicans.

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brickbats

Who says the IRS isn't responsive to public sentiment? After suffering severe embarrassment from several well-publicized instances of children's life savings being seized to pay their parents' overdue taxes, the IRS says it will cease taking candy from babies: It will no longer ask banks to seize any account with a balance of under $100. In the cases in which children's accounts have been commandeered because their parents owed taxes, the accounts have included the name or Social Security number of a parent, said the IRS. This prevented the banks from identifying the real owners. The new procedure, claims IRS Commissioner Lawrence B. Gibbs, is "in keeping with our initiative of trying to treat taxpayers like customers." Yeah, customers who get screwed.

Poor Daniel David Candelario was minding his own business and robbing the Oakland branch of the California Savings and Loan, when all of a sudden his pants caught fire. Seems a bank employee slipped a smoke bomb into a bundle of cash the thief was stealing. Daniel stuck the packet (and the bomb, which is supposed to help police locate bank robbers) into the pocket of his pants. The bomb exploded, and Daniel suffered severe burns in his genital area. Now he's suing the bank and the city for $2 million for intending to injure him. He also claims medical treatment was withheld and police officers made unkind remarks about his fate. He charges that the bank and the manufacturer of the bomb knew or should have known the bomb was "inherently dangerous." And robbing a bank isn't?

The public agency that provides much of the drinking water for northern New Jersey buys bottled water for its own offices. The North Jersey District Water Supply Commission spent over $400 for bottled water in the first six months of 1987. The practice has been going on for more than three years. Officials at competing water companies say they use their own water in office coolers. "Anybody who drinks bottled water around here should be fired," says James F. Egan of the Passaic Valley Water Commission. "It's a heresy."

"SO LONG, PAUL, AND THANKS FOR THE TROPHY..."

It was a close vote, but the California State Assembly turned down a bill to guarantee Benji the dog, Morris the cat, and other animal stars a comfortable retirement when their glory days are over. The bill would have forced owners of mammals used in movies, TV, or advertising to pay 1 percent of their pets' revenues into a state Animal Trust Fund. Grants would have been made to individuals or government agencies that run shelters for the ex-performers.

Didn't President Reagan promise to abolish the Department of Education a couple of campaigns ago? Well, the bureaucrats are still at work. Their latest mission has been to order school officials in Fort Atkinson, Wisconsin, to remove the word *girls* from the reference to pompon girls in the student handbook and to allow both sexes to participate in the activity. And the agency has told the Aldrich Junior High School in Beloit that it will have to change the symbol of its "Warriors" sports teams from a savage warrior to a "more majestic brave." The districts have 30 days to file a plan of compliance before they lose federal funds. Parents of school children can rest easier knowing the educrats are on the job.

Italians elected porn actress Ilona Staller to parliament on the Radical Party ticket. As a victory thank-you, Staller invited her supporters to Rome's Piazza Navona to kiss and fondle her breasts. The well-wishers became frenzied with delight, and riot police had to disperse the crowd. Three pillars of the piazza's famous fountain were damaged in the ruckus. The Radical Party requested that Staller resign, but she refused. Now in parliament, Staller has immunity and can't be prosecuted for charges of obscene behavior in public. And we thought the Gary Hart campaign was hot stuff!

—Mark Edward Crane

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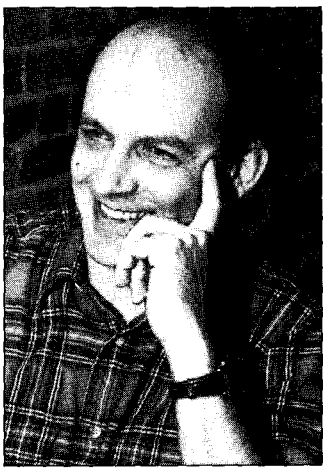
trends

Digging Up Welfare's Roots

Are people on welfare the victims of bad luck—or bad planning? Policy analyst Charles Murray, who revolutionized the welfare debate in 1984 with his book *Losing Ground*, has once again taken a close look at the evidence and challenged the prevailing answer.

Murray takes issue with one of the most influential books on the subject, *Years of Poverty, Years of Plenty*, which portrays a scenario in which incomes rise and fall in a random fashion; people go on welfare only temporarily, in response to unavoidable problems; and poverty is not the fate of a permanent underclass but rather a short-term situation that people move in and out of. In such a world, income supports are seen as an appropriate response to a tumultuous economy.

Years of Poverty is based on data from the Panel Study of Income Dynamics (PSID), a database begun in 1968 to track people over time. In a report published by the American Enterprise Institute, Murray examines PSID himself and concludes that "the notion of turbulence and randomness in income mobility has been oversold. The generalizations that have become part of the intellectual conventional wisdom since *Years of Poverty* cannot be sustained if the data are broken down by age."



Poverty analyst Charles Murray: *At it again.*

Murray first looks at "economic mobility," a term he insists must be differentiated from "change in real family income." The former implies an *unusual* change in socioeconomic status, but it's often used misleadingly to describe very normal changes in income that occur over the life cycle: Young people make more money as their careers progress, while older people decrease their income as they spend less time working. "The apparently chaotic income shifts that are yielded by an aggregate of the entire population settle into well-ordered patterns once we consider age," writes Murray.

Overly broad definitions of economic mobility can also distort the public-policy debate. For example, if downwardly mobile means falling from a comfortable income —say, at least twice the poverty index—into poverty, then only 2 percent of the PSID women aged 55-64 were downwardly mobile. But if downwardly mobile means experiencing *any* loss in real family income, then *75 percent* were downwardly mobile. "So what number," asks Murray, "is chosen for the newspaper editorial or for the snappy statistic to be given in Congressional testimony?"

Next Murray looks at welfare mothers. Here again, he argues, the analysis is affected greatly by demographics. In contrast to women who enter at later points in their lives—presumably because of short-lived crises—most "unmarried, uneducated new AFDC mothers... remain on AFDC for long periods of time. Of the unmarried women who had less than a high school degree, 64 percent were on AFDC for the entire ten-year followup."

This flies in the face of received wisdom that "AFDC is predominantly a matter of short-term assistance and that long-term dependency is rare." Murray believes that "for the younger and the never-married, [AFDC] tends to deform the marriage and labor market behaviors that would otherwise enable them to achieve a productive adulthood."

Finally, Murray looks at the overall group of people who were poor in 1970. In contrast to the portrait of people thrown into poverty by a shake of the dice, Murray finds that "poverty strikes selectively. Poor people of 1970 were very poorly educated....Once education and age are both taken into account, there is very little left to explain." Indeed, he concludes, "the PSID reveals with striking clarity that the requirements for getting out of poverty in this country" —completing high school, getting a job, and either staying in the labor force or marrying someone who'll stay there—"are so minimal that it takes a mutually reinforcing cluster of behaviors to remain in poverty, even if you are black and even if you are female."

These may be pretty harsh words, but they shouldn't be misread: Murray isn't blaming the victims so much as blaming the architects of our welfare system. He suggests that we ask: "How do policies affecting poor young people *encourage them not to do* the very ordinary things that need to be done to avoid poverty?" Perhaps this question will put us on the track to genuine welfare reform.

Do Profits Collide With Safety? The Plane Truth

It seems odd to have to argue against the notion that airline executives find it in their interest to let 747s full of passengers crash to the ground. Yet within days of any air disaster or near-miss, the op-ed pages of America's newspapers ring with cries for reregulation on the presumption that profits and safety are incompatible.

Such widely published critics as pilot and lawyer John Nance argue that the fierce competition brought on by deregulation has forced the airlines to skimp on safety in the drive to cut costs and fares. The market provides

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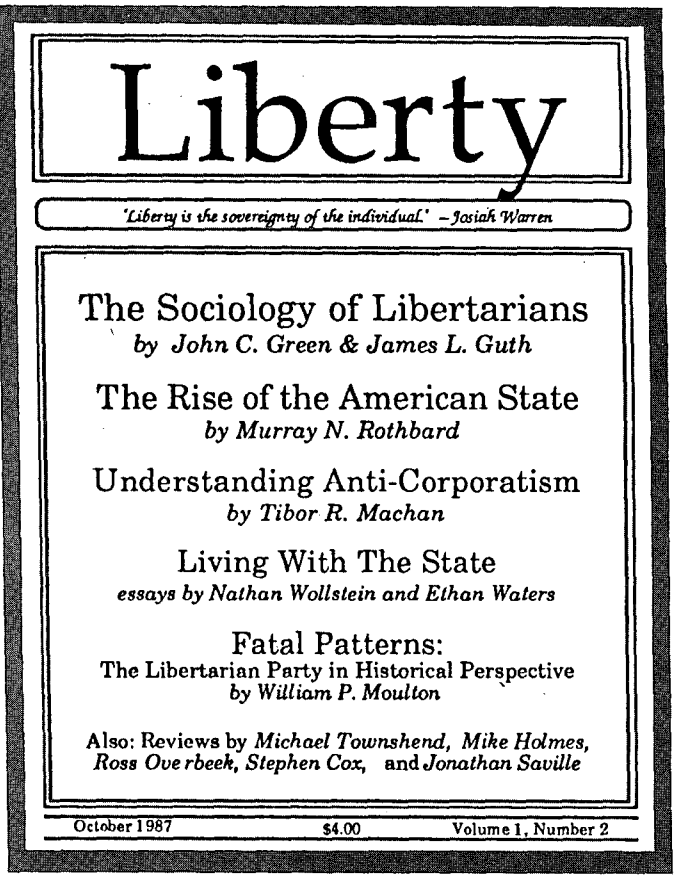
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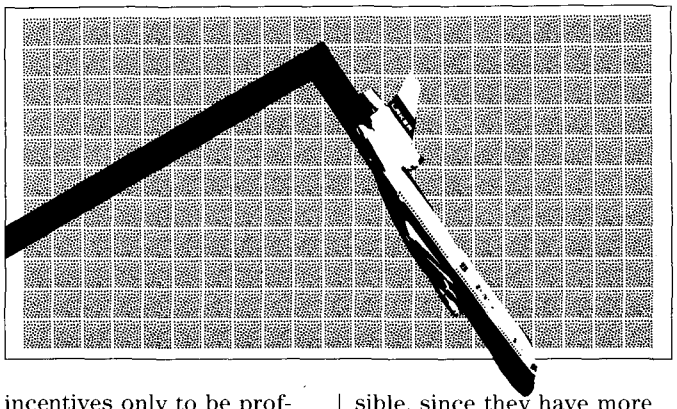


incentives only to be profitable, not safe.

Several analysts have countered that air travelers want *safe* travel as well as low fares, so competition should *increase* efforts to ensure safety in the air. And in fact, flying is actually safer now, measured by fatalities per passenger mile, than when the industry was deregulated in 1978.

Now, two researchers at Clemson University have found additional evidence that the market provides an incentive to airlines to spend money on safety: crashes often cause an airline's stock value to fall, especially when the airline is at fault.

Michael Maloney and Mark Mitchell studied the impact of 56 fatal airline crashes. They found that in 31 of them attributed to pilot error, the airlines' stock on average suffered a drop of over 2 percent in rate of return. Eight accidents linked to the manufacturer had a less significant impact on stock returns, and the remaining accidents (without passengers or attributed to unknown or multiple causes) had no effect.

"The role of market forces in assuring air-travel safety is to punish the party or parties responsible for the crash," Maloney and Mitchell explain in their report. Their findings, they note, "support the theory...that airlines will suffer larger losses from crashes for which they are more responsible, since they have more direct control over their pilots than over the manufacturers, air traffic control system, unavoidable weather, pilots of other planes, etc."

If the market pushes airlines toward safety, it stands to reason that the same would be true of aircraft manufacturers. This hypothesis has been tested by Andrew Chalk, finance professor at Southern Methodist University.

Chalk analyzed 72 fatal crashes from 1966 to 1979 that involved aircraft made by the three major manufacturers, Boeing, McDonnell Douglas, and Lockheed. "When press reports indicated that the design of a plane may have been a cause, the manufacturer's share price decreased and did not recover," he notes in a recent Cato Institute report. The prices dropped by 3.8 percent on average, adding up to a $21-million loss to shareholders.

This finding, argues Chalk, indicates that the manufacturer's reputation "furnishes a direct link between safety and revenues." If the design of an aircraft is perceived to be at fault, consumers are reluctant to fly on it. The airline that acquired it suffers from reduced traffic and revenue. It is less likely to purchase from that manufacturer. Owners and potential owners of the manufacturer's stock respond accordingly.

The Trade Winds Are Blowing

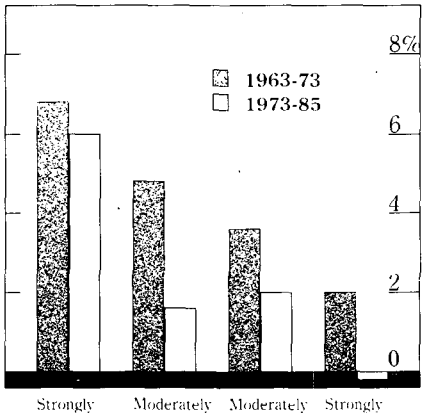
A new study by the World Bank confirms that free trade is one of the keys to economic success in the Third World. Surveying the trade policies and economic growth rates of 41 developing countries during the periods 1963-73 and 1973-85, the study found that the three with the freest ("outward-oriented") trade also had the highest growth.

The governments of most developing countries have for decades pursued what the report calls an "inward-oriented" trade strategy—using central planning and state intervention in an attempt to encourage domestic production and industrialization rather than international trade. The goal is to eliminate the economy's dependence on exporting primary products, such as food and raw materials, that are likely to decline in real value over time. Import barriers—tariffs, licenses, quotas, and so forth—are designed to boost domestic production and discourage trade.

Three developing countries, however—Singapore, South Korea, and Hong Kong—had strongly "outward-oriented" trade policies that do not discriminate between production for domestic consumption and export. And in the 1963-73 period, their real per capita GNP rose 9 percent, 7.1 percent, and 6 percent, respectively. By comparison, per capita GNP grew 3.5 percent in Turkey, the best performer among strongly inward-oriented economies. During the 1973-85 period, when oil price shocks pushed down growth rates all over the world, the three "outward" stars maintained rates in the 5-6 percent range, while most of the strongly inward-oriented countries had negative growth rates.

The most obvious reason for the relative failure of inward-oriented trade policies is the burden they impose on the economy, both by raising prices for consumer goods and by requiring domestic producers to make goods that would be cheaper to import. But the study notes other drawbacks as well, including the costs of maintaining and dealing with the bureaucracies necessary to sustain state control over an economy and the inefficiency encouraged by the lack of competition from overseas.

The road to growth would seem to be direct: developing countries should drop their trade barriers. But, as an edi-



Free Trade and Prosperity

Average annual growth in per capita GNP

A World Bank survey of 41 developing countries found that growth rates are highest in countries with the freest ("outward-oriented") trade policies.

torial in *The Economist* notes, "The rise of mindless protectionism in America warns the poor countries that they may not be allowed to succeed."

Cable Monopolists Lose a Round

A federal jury in a Sacramento, California, case has determined that the city's awarding of a monopoly cable-TV franchise was permeated with "influence peddling." Embarrassed by the jury's findings, Sacramento officials threw open the city's cable market even before a final court ruling could be issued in August, and one upstart firm immediately began surveying unwired neighborhoods and initiating hook-ups.

Cable monopolies may be the most outrageous of currently known scams by local pols to fatten their purses. The city council awards one company exclusive rights to wire a city or neighborhood, in exchange for a bundle of goodies—"public-access" channels and a tax bite of revenues being the ones ostensibly related to the public interest; campaign contributions, a cut of the action for the pols' friends, and outright payoffs being the less public handouts. All is done on the rationale that cable TV is a "natural monopoly" because of the need to use rights-of-way controlled by local government.

The Sacramento case was typical. The monopoly franchise was awarded to an applicant that had marshaled the support of 73 local bigshots, including then–Reagan aide Michael K. Deaver. As the *Wall Street Journal* reported, "Most invested $2,000; some put up nothing. Cable experts estimated each investor would net a $200,000 return by the mid-1990s." But Pacific West Cable Co., which lost in the bidding war, took the city to court.

The jury in the case found that the government's natural monopoly arguments were "a sham...to obtain increased campaign contributions for local officials." Jurors also concluded that the process of granting the franchise was soiled by the politicians' "desire to favor local officials' political supporters."

Economist and REASON contributing editor Thomas Hazlett, an expert witness at the Sacramento trial, points out that busting the cable monopolies will mean lower prices and more cable choices for consumers. Nationwide, there are currently some 7,000 de facto monopoly cable franchises. But the Sacramento case is the latest of several victorious court challenges that will put increasing pressure on local officials to open up their cable market to the kind of competition already found in the suburbs of Tucson, San Diego, Washington, D.C., and other cities.

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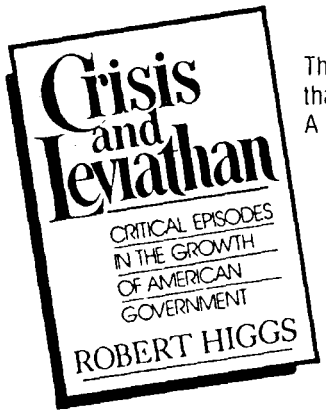

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trends

If Sacramento was a solid right uppercut to the puss of state-imposed monopoly, a pending challenge to Los Angeles cable on First Amendment grounds could be the KO punch. Using the Constitution to prevent local governments from granting monopolies to privileged, influential businessmen, commented Hazlett, "would be a good way to celebrate that document 200 years after Madison and those guys wrote it."

Milestones

■ *Fruitful deregulation efforts.* Independent growers are fighting federally backed farming cartels that set production quotas through "marketing orders." Cherry growers in the Midwest and hops growers in California have voted to scrap their marketing orders, and an administrative law judge has overturned six years' worth of restrictions on oranges as unfair to independent growers.

■ *You can shun.* The 9th Circuit Court of Appeals has upheld the right of the Jehovah's Witnesses to "shun" former members by prohibiting current members from contacting them. The court found that the emotional harm suffered by those who are shunned is "a price well worth paying to safeguard the right of religious difference."

—Robert W. Poole, Jr., Lucy Braun, Bill Kauffman, Virginia I. Postrel, and James Taranto

global trends

Italians Find Taxes Revolting

ROME—Contrary to popular mythology, Italians are among the most heavily taxed people in the world. From 1974 to 1986, tax revenue increased more than tenfold in nominal terms and 102 percent in real terms. Taxation has grown from less than a third of GNP to more than one-half. Marginal tax rates are unquestionably punitive: Italians start bearing rates of 27 percent at an income level of 11 million lire (some $8,500). And the tax code is so complex, contradictory, and often unintelligible that just reading it can draw laughter from an audience.

Until recently, the big puzzle had been why Italian taxpayers were not revolting against such a mess. Statists of all parties took the relative quietness of taxpayers as evidence that taxation was not excessive. Their optimism was shaken last November when a crowd of 35,000-40,000 people assembled in Torino for a "Taxpayers March." As I wrote in the *Wall Street Journal*, "They came from all over the country: young, middle age and old; professionals, self-employed businessmen and fixed-income workers; white and blue-collar workers." The crowd listened to three university professors, including myself, and it stressed its approval with thunderous applause.

The Torino protest was followed in March by a similar one in Geneva, attended by 5,000-10,000 people. The fact that the Geneva march was smaller than the one in Torino was greeted with relief by the political world. The politicians knew, however, that the tax rebellion was alive and that something would have to be done about

One thing the government has done is revise statistics. The government statistical office, for unexplained reasons, had decided to raise by 15 percent the national income figures from 1980 on. As a result, the ratio of tax revenue to GNP declined and some people, including, alas, even the governor of Banca d'Italia, have jumped to the conclusion that taxation is not excessive and can be increased!

In the June elections, all parties included tax reform in their electoral platforms. Whether the new Parliament will do anything remains to be seen. If, instead, the politicians follow the recommendation of the governor of Banca d'Italia, who advised tax protesters to "eat cake," they will be in for some very unpleasant surprises.

—Antonio Martino

Dhaka Discovers Cure for Economic Drowsiness

DHAKA—Cheers to the free-market policies of Bangladesh! The economy is growing, as is people's confidence in the future.

The latest reform is the government's announcement that it is going to privatize all state-owned industrial companies and financial institutions by selling shares to the public. Initially, 49 percent of the equity will be sold to the people, with the government retaining the other 51 percent. The government will nominate five directors of each company, the shareholders four.

To give the workers a stake in the company, 15 percent of the shares will be reserved for them. They will be allowed to borrow from their pension funds to purchase shares. And as long as the workers hold at least 12 percent equity, they will be guaranteed one seat on the board of directors. Labor leaders are generally against this plan—but the workers are buying up the shares.

What is striking is the interest small savers have shown in the market. A majority of applicants have bid for 500 Taka ($15), the minimum amount. Like the Thatcher government in England ("Buying Out of Socialism," REASON, Jan. 1986), the Ershad government in Bangladesh seeks to create a "share-owning democracy."

The massive popular interest in the share market can only be likened to a revolution. There are share owners in every strata of society; over 40,000 people applied recently to buy into Usmaniya Glass. Now that the common man has a stake in the free-market economy, what will happen to the communist idea in Bangladesh?

—Tahsin Alam

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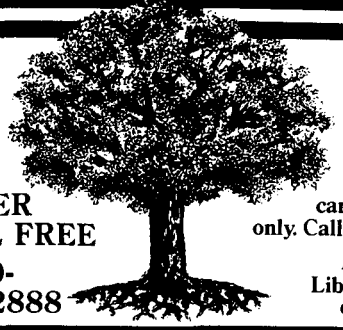

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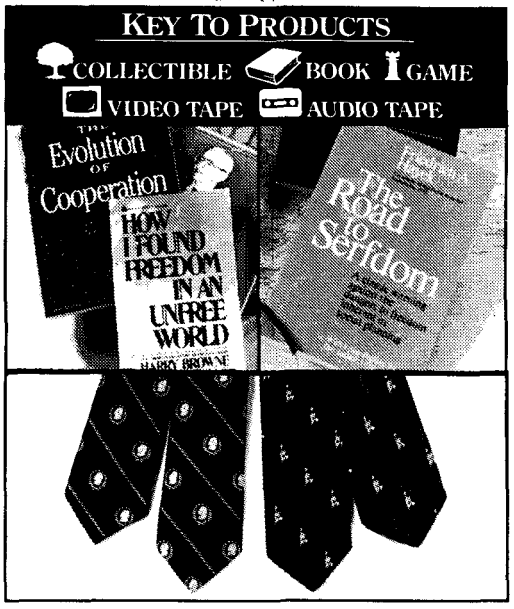

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DIGNITY

Nineteen eighty-eight will mark 25 years since the historic March on Washington that symbolizes the rightness and the urgency of securing blacks' civil rights. Unfortunately, in the ensuing years the civil rights movement has lost its bearings.

Forsaking its traditional tenets—individual rights and equality under the law—the civil rights establishment has turned to racial quotas, contract set-asides, and other numbers-oriented strategies. But these efforts have been divisive and the results questionable. More importantly, they reveal that the present leadership has forgotten that the movement has always been about securing for individuals the freedom to control their own destinies.

Today, as the movement casts about for direction and momentum, it has a golden opportunity to put America back on its 200-year track of steady progress in honoring its commitment to civil rights. For serious problems remain, and they require more than the recently renewed attention to traditional black self-help efforts.

Perhaps most debilitating are laws at every level of government that arbitrarily limit the ability of individuals to become self-sufficient, productive members of society. These laws separate individuals from economic opportunities, some by making entry into basic trades and professions so onerous as to largely exclude those not already on the economic ladder, and others by reserving business opportunities for a privileged few.

These economic barriers are rooted in the Jim Crow era, when a wrongly decided Supreme Court case sanctioned the power of state and local governments to destroy individuals' economic liberty with impunity. But despite the insidious modern-day consequences of that decision, these obstacles to black progress escape attention in the current civil rights debate.

Other Jim Crow laws fell to the concerted efforts leading up to the civil rights acts of the 1960s. But in the '70s and '80s the definition of civil rights has been steadily transformed from the fundamental rights we all share equally as Americans, into special burdens for some and benefits for others.

The movement's shift in emphasis from maximizing individual liberty to dictating economic parity exacted an enormous price: a painstakingly developed popular consensus supporting America's doctrinal commitment to civil rights has been dangerously eroded; blacks who make progress are, perversely, forced

CLINT BOLICK

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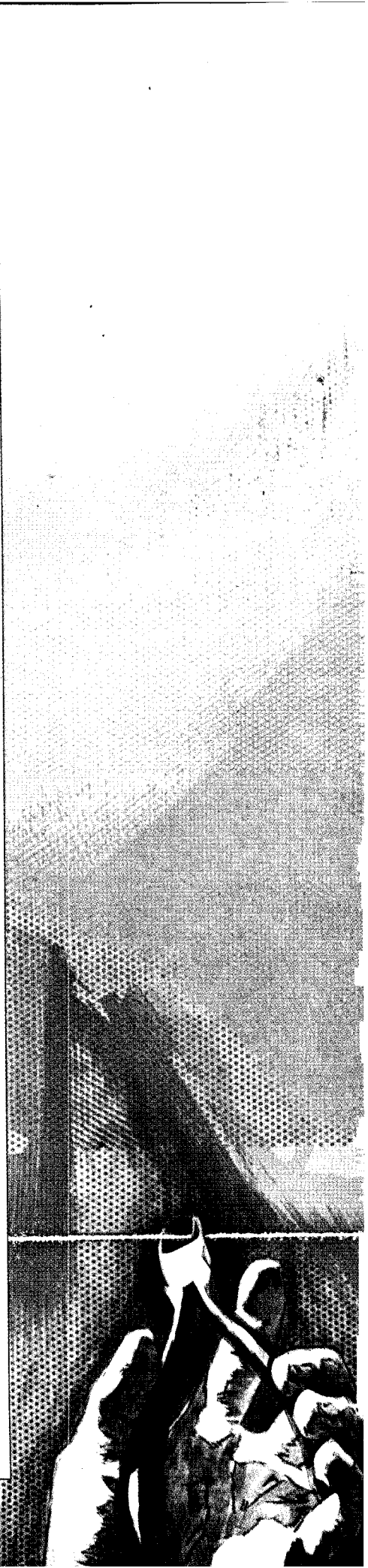

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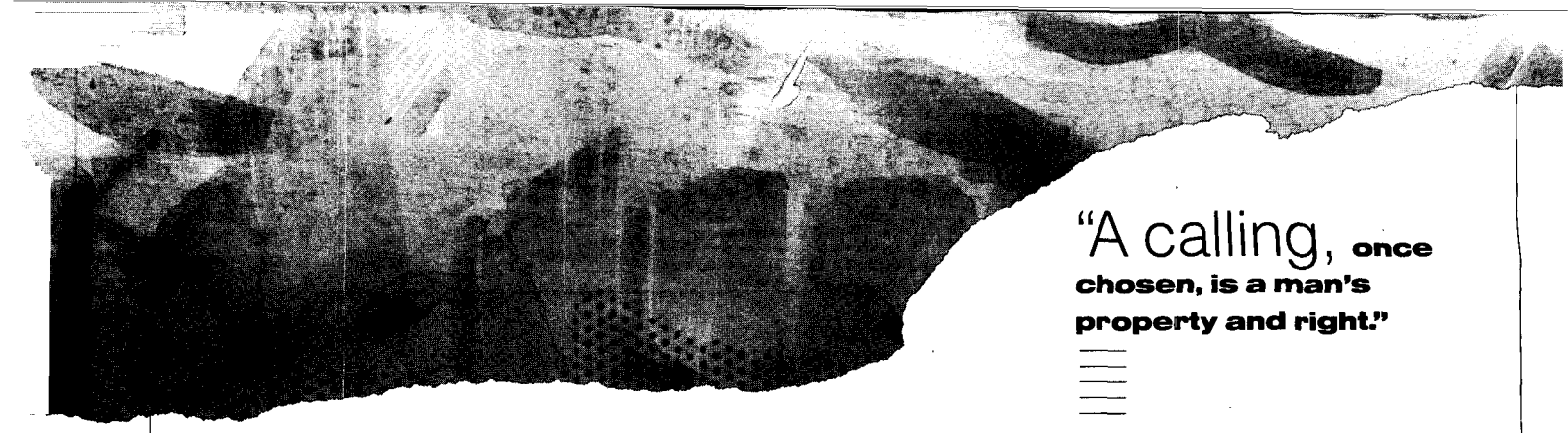


"A calling, once chosen, is a man's property and right."

to question the source of their gains; and many blacks are more isolated from basic opportunities—more deeply enmeshed in the stifling miasma of poverty and despair—than ever before.

For two centuries, from Thomas Paine to Frederick Douglass to Booker T. Washington to Martin Luther King, leading advocates of civil rights challenged governmental restraints on individual freedom and economic liberty. Today, those barriers are far more sophisticated than

Early licensing laws were pushed by white supremacists and craft unions to limit competition from blacks.

in the Jim Crow era, and laws are no longer drawn explicitly on racial lines. Yet the effects are largely the same: contemporary restrictions on opportunities to participate in the economy continue to work their greatest hardship on the most disadvantaged in our society—predominantly blacks and the poor.

The civil rights movement today faces a choice. It can continue to forsake the market, the route to upward mobility traditionally traveled by ethnic minorities in this country. Or, replenished by the natural rights principles that animated its great triumphs, it can work to demolish the last vestiges of Jim Crow.

For more than half a century, the civil rights movement persistently chipped away at the infamous *Plessy* v. *Ferguson* decision. The Louisiana law upheld in this 1896 Supreme Court ruling was typical of Southern laws decreeing social and economic segregation. This one required "separate but equal" railroad accommodations. In refusing to strike down such state-imposed discrimination, the Court was abdicating its seminal role in protecting civil rights, a situation that would continue until *Plessy* was finally reversed by *Brown* v. *Board of Education* in 1954.

But while *Plessy* was perhaps the most notorious judicial repudiation of civil rights, it was by no means the only one. For the Court did not merely sanction the states' arbitrary restriction of *social* opportunities, but of *economic* opportunities as well.

The death knell for economic liberty was sounded 24 years before *Plessy* in the *Slaughter-House Cases* in 1872. By this decision, the Court essentially excluded economic liberty from protection under the 14th Amendment. Yet an examination of the history of this amendment's adoption reveals that such protection was a substantial motivation for so changing the Constitution.

After the Civil War, the South faced an acute labor shortage stemming from its enormous war casualties and the emancipation of the slaves. Many blacks remained with their former plantations as sharecroppers, while others took advantage of the skills they had learned as slaves to enter trades.

For a society largely predicated on a stable and servile labor supply, the spectacle of blacks competing with whites and gaining a measure of economic independence was difficult to bear. Many plantation owners banded together in cartel fashion to keep wages low and limit blacks' mobility.

But persuasion and peer pressure were inadequate to overcome market forces. Individual plantation owners could benefit by offering higher wages than the cartel had agreed to, and the intense competition for labor drove wages inexorably upward. Crop shares for tenant workers increased by 500 percent in the decade following emancipation.

Soon, former slaveowners were turning to the state to accomplish what they could not do in a competitive market. "We must have a black code," urged George Fitzhugh, a leading Southern theorist—a "subordination of the inferior race that will compel them to labor whilst it protects their rights and provides for their wants." Fitzhugh's prescription, undergirded by twin notions of inferiority and paternalism, provided the original rationale for racial classifications that survive in different forms even today.

"Black codes," adopted throughout the South between 1865 and 1867, restricted mobility through vagrancy laws and limited entrepreneurial opportunities through oppressive licensing and apprenticeship requirements. These laws were outright "attempts to enforce a labor-market cartel among white employers that could not be enforced in any other way," observes economist Jennifer Roback in a study of the post–Civil War South. The codes allowed former slaveholders to preempt market forces and restore as closely as practicable the feudal order that prevailed before the Civil War.

Typical of the black codes was South

Blacks boycotted segregated transit systems and opened their own competing companies—only to have them shut down for violating licensing laws.

Carolina's licensing statute, under which any "person of color" was required to obtain a permit to "practice the... business of an artisan, mechanic, or shop-keeper, or any other trade, employment, or business." The licenses cost

$100—for ex-slaves, a staggering sum—and were valid only for one year. They required a showing of skill, fitness, good moral character, and an existing business or apprenticeship and could be revoked upon any complaint of abuse.

These regulations created an obstacle course littered with pitfalls and disincentives that utterly precluded business and trade opportunities for blacks. They were tied, once again, to the plantation.

It was against this backdrop that Congress passed the Civil Rights Act of 1866, which guaranteed equality under the law as well as the right to make and enforce contracts and to purchase and sell property. But President Andrew Johnson and others warned that the law was unconstitutional, since it purported to limit the conduct of state governments. So, recognizing that wholesale deprivations of civil rights were being perpetrated by state and local governments, Congress turned to changing the Constitution, passing the 14th Amendment that same year.

The amendment forbade states from making laws that "abridge the privileges or immunities of the citizens of the United States," "deprive any person of life, liberty, or property, without due process of law," or "deny to any person...the equal protection of the laws." Though primarily concerned with protecting newly emancipated blacks, the amendment was explicitly designed to provide universal protection for fundamental rights.

Six years later the *Slaughter-House Cases* reached the Supreme Court, providing the first opportunity to apply the new protections. The cases challenged a Louisiana statute creating a slaughterhouse monopoly for certain parishes (counties) and prohibiting competition in that trade. The plaintiffs, a group of butchers, argued that the statute violated the rights guaranteed by the 14th Amendment, among them the right to engage in a trade free from arbitrary and unequal state regulations.

By a 5-to-4 vote, the Court upheld the law as part of the state's "police power." Under this authority, declared the Court, "private interests must be made subservient to the general interests of the community." Although conceding the importance of the rights asserted, the majority ruled that they "belong to the citizens of the States as such, and...are left to the State governments for security and protection, and not by this article placed under the special care of the Federal government." Thus did the majority read out of the Constitution the "privileges or immunities" clause of the 14th Amendment.

The four justices who dissented condemned the decision for violating, on the "mere pretence of prescribing a police regulation," the "right of free labor, one of the most sacred and imprescriptible rights of man." The 14th Amendment, Justice Stephen J. Field noted, was intended to give "practical effect to the declaration of 1776 of inalienable rights, rights which are the gift of the Creator, which the law does not confer, but only recognizes."

The dissenters conceded the state could properly regulate slaughterhouses for legitimate public-safety concerns. But as Justice Joseph P. Bradley emphasized, "there are certain fundamental rights which this right of regulation cannot infringe." He declared: "For the preservation, exercise, and enjoyment of these rights the individual citizen, as a necessity, must be left free to adopt such calling, profession, or trade as may seem to him most conducive to that end. Without this right he cannot be a freeman. This right to choose one's calling is an essential part of that liberty which it is the object of government to protect; and a calling, once chosen, is a man's property and right. Liberty and property are not protected where these rights are arbitrarily assailed."

Another dissenter, Justice Noah Swayne, voiced the hope that the consequences of the decision "may prove less serious and far-reaching" than feared. But the fears were quickly realized. *Slaughter-House* unleashed the white supremacists to again extinguish economic opportunities for blacks.

The resulting laws, known as "Jim Crow," made the black codes before them seem mild by comparison. In the economic realm, they took four principal forms. "Contract enforcement" laws severely limited the ability of laborers to change employers. Vagrancy laws made it unlawful to be unemployed, even temporarily. "Emigrant agent" laws restricted the activities of labor recruiters. And "debt peonage" laws allowed blacks who were imprisoned for their debts to be turned over to employers who assumed their obligations.

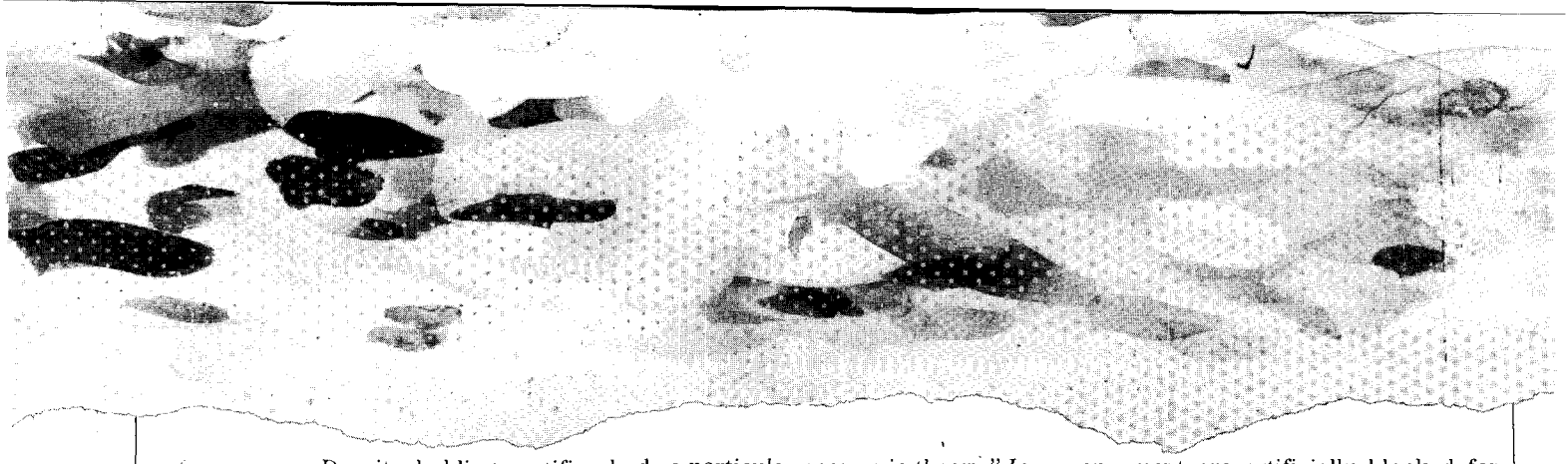
These laws regulated every aspect of economic interaction, making it nearly impossible for blacks to attain self-sufficiency and rendering the myth of black inferiority a self-fulfilling prophecy. In addition to economic restraints, the laws were soon extended to limit social interaction and educational opportunities as well. Kentucky's Day Law, for instance, forbade racial mixing in private schools, which were viewed as instruments for integration.

Thus, as political economist Robert Higgs observes, "The fountainhead of effective discrimination" lay not in private efforts but "in the governments of the Southern states, counties, and cities." Blacks were effectively disenfranchised, and a "racial monopoly of politics allowed the hostile whites to treat the blacks as they pleased."

Over time, competitive market forces were largely snuffed out by these governments. Between 1892 and 1907, for instance, blacks initiated boycotts against segregated transit systems in two dozen cities across the South and launched their own competing companies, only to have them shut down as violations of licensing laws.

The unambiguous legacy of the Supreme Court's abandonment of economic liberty in *Slaughter-House* is that Southern blacks were again consigned to a separate, subordinate caste with little hope of economic emancipation. This sordid legacy persists today in its most fundamental aspects, remaining largely untouched by the civil rights gains of the 1960s.

For a time, the Supreme Court moved to afford some protection for economic liberty. In *Yick Wo* v. *Hopkins* in 1886, the Court bowed to the 14th Amendment in ruling on a San Francisco ordinance that required, among other things, permission from the board of supervisors to operate laundries. Though neutral on its face, the ordinance was clearly aimed at Chinese



entrepreneurs. Despite holding certificates of safety under previous standards, 150 Chinese were arrested and 200 denied permission to operate.

The law, the Court found, gave the government "naked and arbitrary power" that rendered the laundry owners "tenants at will, under the supervisors, of their means of living." The Court struck down the law, declaring it "intolerable in any country where freedom prevails, as being the essence of slavery itself."

The Court's recognition of economic liberty as a vital component of civil rights reached its zenith in 1905 in *Lochner* v. *New York*, which invalidated a state law setting maximum hours for bakery workers. The law, declared Justice Rufus W. Peckham, was based on a paternalistic notion that workers are "wards of the state," unable to "assert their rights and care for themselves without the protecting arm of the state interfering with their independence of judgment and action." Rejecting such paternalism, Peckham argued that "the right to purchase or sell labor is part of the liberty" guaranteed by the 14th Amendment.

The 1964 Civil Rights Act still contains no explicit prohibitions on state-imposed barriers to practicing a trade or opening a business.

But the seeds of the demise of economic liberty were planted by Justice Oliver Wendell Holmes in a reactionary dissent in the *Lochner* case. Holmes assailed the majority's belief in "the liberty of the citizen to do as he likes so long as he does not interfere with the liberty of others to do the same." The Constitution, he charged, does not "embody a particular economic theory." Instead, Holmes urged a meaningless "reasonableness" standard, under which virtually any government barrier to economic opportunity, no matter how "injudicious" or even "tyrannical," would be sustained.

Holmes's dissent attained majority status in the courts during the New Deal era, leaving victims of state-imposed and state-sanctioned obstacles to individual self-sufficiency virtually no recourse to the courts. The judicial abdication is now so complete that in 1976 the Supreme Court upheld a New Orleans ordinance limiting to two the number of hot dog pushcarts in the French Quarter, thus depriving the plaintiff of her livelihood in that quintessential entry-level enterprise.

The passage of the Civil Rights Act of 1964 provided a mechanism to challenge employment discrimination. But the law was not even applied to governmental action until 1972, and it still contains no explicit provision prohibiting state-imposed barriers to practicing a trade, opening a small business, and other such traditional avenues to economic progress in our society.

Meanwhile, in the years since the Civil Rights Act, the civil rights establishment has jettisoned the effort to knock down state-imposed barriers so that individuals can control their own destinies. Instead it has focused on enlisting the power of government to achieve specified levels of employment, integration of schools, contracting with minority-owned businesses, and so on. And a stagnating underclass with ever-diminishing prospects for upward mobility remains largely untouched even as its existence is widely lamented.

Entry-level, small-entrepreneurial opportunities, traditionally a hallmark of our system, have fueled the efforts of generation after generation of newcomers to attain self-sufficiency. But today, many of the likely avenues for economic advancement are artificially blocked for those who could most benefit.

At the state and local levels, these barriers take two principal forms: occupational licensing laws, an enduring relic of the Jim Crow era; and government-maintained business monopolies, the progeny of *Slaughter-House*.

Early licensing laws, with "grandfather" clauses exempting existing white practitioners, were pushed by white supremacists and craft unions to limit competition from blacks. The modern licensing laws that grew out of these are more sophisticated, but they have the same effect. As economist Walter Williams explains in *The State Against Blacks*, these laws "discriminate against certain people irrespective of their race." But because the victims of this discrimination are specifically "outsiders, latecomers and [the] resourceless," the laws are "particularly devastating to blacks."

Occupational licensing laws come into play in a substantial portion of the economy. California alone licenses 178 different occupations. Today, at least 10 percent of the labor force works in licensed occupations. And this figure underrepresents the effects for those at the bottom of the economic ladder, where licensing requirements extend to such entry-level jobs as cosmetology, janitorial services, taxidermy, landscaping, and junkyard operations.

Most licensing requirements have only the most attenuated connection to asserted public-welfare objectives. Loudoun County, Virginia, even requires licenses for poets! Many rules, such as those governing lawyers, go well beyond legitimate concerns, while others are altogether unnecessary. In either case, such laws are plainly designed to limit new entrants. Many are administered by the regulated profession itself, with the coercive apparatus of the state at its disposal.

Williams relates the example of beautician and cosmetology licensing in Missouri. In addition to extensive formal training or apprenticeships, prospective

practitioners must pass an examination consisting of both a practical (hands-on) and written component. The written portion tests such esoteric concerns as the chemical composition of bones.

In a recent examination, he reports, blacks passed the practical component at the same rate as whites but failed the written part disproportionately. In other words, a large number of black would-be beauticians are prevented from engaging in their chosen field, for which they are demonstrably qualified, solely by operation of an onerous and arbitrary state law. This scenario is surely repeated in dozens of entry-level professions.

Likewise, state-granted monopolies restrict start-up opportunities in businesses running the gamut from furniture moving to cable television. But none is more brazen than taxicab franchising.

While 2,000 blacks own cabs in Washington, only 14 blacks own cabs in heavily regulated Philadelphia.

Washington, D.C., is one of the few cities with virtually open entry to the taxicab market (though several members of Congress are trying to change that). Entrepreneurs may initiate service by satisfying safety and insurance requirements and paying a modest fee. Consequently, the taxicab industry provides broad and easily accessible business opportunities. Seventy percent of Washington's cabs are owned by blacks.

Contrast the system in New York City, where a potential cab owner must first obtain a "medallion." The number of medallions is tightly controlled by the city, and as a result these permits to do business now go for $100,000. Blacks *drive* cabs in New York, but they rarely *own* them. Indeed, wherever new entry into a business is proscribed or restricted, entrepreneurial opportunities are diminished, particularly for minorities and the poor. So while 2,000 blacks own cabs in Washington, only 14 blacks own cabs in heavily regulated Philadelphia.

And, of course, entry restrictions affect not just would-be entrepreneurs but consumers, as well. By limiting the number of suppliers, they lead to higher prices and reduced service, especially in poor neighborhoods.

Most of these laws are based on faulty economic or public-welfare premises. They work their greatest hardship upon the most disadvantaged in our society, depriving them of the fundamental liberty and the basic opportunity that is the birthright—the civil right—of every American.

Two hundred years after adoption of our Constitution and a quarter century after civil rights activists marched on Washington to remind Americans of the individual rights enshrined in that document, someone ought to be standing up for these fundamental liberties. Recent calls for "self-help" from black leaders such as Benjamin Hooks of the NAACP and John Jacob of the National Urban League are a long-overdue and welcome move. But they are not enough. The civil rights establishment, along with conservatives who have long deplored its failure to look to the rich self-help tradition among blacks, must recognize that very real barriers to self-sufficiency remain.

The increased welfare spending, quotas, and set-asides that have dominated civil rights policy for the past 25 years have not changed the course of dependency and despair. Even stalwart defenders of this agenda are coming reluctantly to recognize this. So it is an opportune moment to refashion the terms of the civil rights debate—from collectivism to individualism, from coercion to opportunity, from dependency to dignity.

Legislation—filling the void left by the Civil Rights Act of 1964—is one way to start on an alternative agenda. An Economic Liberty Civil Rights Act, guaranteeing the right of every individual to pursue work and business opportunities free from arbitrary governmental constraints, could provide a focal point for a forward-looking civil rights program.

A reinvigorated quest for civil rights must also, as in the past, utilize the branch of government designed by the framers as the first line of defense for individual rights—the judiciary. And just as the classical civil rights movement had as its objective repudiation of the pernicious *Plessy* doctrine, so must the contemporary movement resolve to dismantle *Slaughter-House.*

The restoration of judicial protection for economic liberty will not be a simple task. Not a single member of the Supreme Court seems prepared to exhume *Lochner*, with its insistence on the freedom to labor as one chooses. In any case, for all its desirable conclusions, *Lochner* was probably defective in its constitutional analysis. (Most constitutional scholars maintain that the "due process clause" of the 14th Amendment, on which the decision relied, protects only procedural rights, whereas the amendment's "privileges or immunities" clause was designed to protect substantive rights.)

Thus, those who recognize the vital nexus between economic liberty and civil rights should proceed cautiously but creatively, in the tradition of the great civil rights triumphs of the 1950s—chipping away at barriers incrementally until the courts are once again receptive to the principles of natural rights. A new civil rights litigation program can combine principled constitutional arguments, based on the Ninth Amendment, privileges or immunities, equal protection, and so forth, with more pragmatic legal hooks, such as antitrust laws and the Civil Rights Act's proscription of employment discrimination.

Slowly but surely, such efforts could erode the *Slaughter-House* doctrine, until economic liberty is finally restored to its rightful place among our most precious civil rights. Nothing less than this will secure for minority individuals, as equals among equals, the right to control their own destinies and earn their share of the American dream. r

Clint Bolick is an attorney with the Civil Rights Division of the Department of Justice. This article is derived from his forthcoming book, Changing Course: Civil Rights at the Crossroads *(copyright © 1988 by Transaction Books). The views expressed are solely those of the author and are not intended to reflect the views of the Justice Department.*

Photographs by Kenneth Eastep

Clarence Thomas

Clarence Thomas, the chairman of the Equal Employment Opportunity Commission, is that Washington rarity: a genuinely independent thinker.

Thomas's character was sculpted by his fierce, proud grandfather, Myers Anderson of Savannah, Georgia, who raised Clarence and his brother during the twilight years of segregation. Thomas went on to Holy Cross, where he was an angry black militant, then to Yale Law School, the Monsanto Corporation, and finally the staff of Missouri Republican Sen. Jack Danforth.

Thomas emerged as a leading critic of civil-rights orthodoxy at the Fairmont Conference of black conservatives in late 1980. He caught the Reagan administration's eye; a short stint as assistant secretary of education was followed by his 1982 nomination to head the EEOC. (He was reconfirmed in 1986.)

Under Thomas's direction, the agency—which is charged with overseeing enforcement of the panoply of job discrimination laws—has shifted its emphasis from imposing hiring goals and quotas toward protecting individual victims of discrimination. And Thomas has come under heavy fire from civil rights leaders for his heterodox views.

The liberal and conservative establishments have never quite known what to make of the man. He is not your typical Reagan appointee: he flirted with the Black Panthers; he still respects Malcolm X; his cites the angry novelist Richard Wright and his laborer grandfather as major influences.

In a much-discussed profile in The Atlantic, *Juan Williams recently painted Thomas as "something of a black nationalist, as well as a sad, lonely, troubled, and deeply pessimistic public servant." Thomas disagrees.*

And it is true that any melancholia lies beneath a friendly, engaging disposition. His candid conversation is punctuated by loud, hearty laughs; he is reputed to be a kind boss given to philosophical discussions with his colleagues.

Clarence Thomas was interviewed in his Washington office by Assistant Editor Bill Kauffman.

Reason: Every Clarence Thomas profile I've ever read begins with a discussion of your grandfather.

Thomas: We're not going to start this one that way, right?

Reason: Do you view your professional career as a vindication of his life?

Thomas: It is a vindication of the way I was raised. Thank God I have had the opportunity to attempt to vindicate it. The thing that bothered me when I was in college was that I saw myself rejecting the way of life that got me to where I was.

Reason: What were you rejecting?

Thomas: We rejected a very stable, disciplined environment. An environment with very strict rules, an environment that put a premium on self-help, an environment that did not preach any kind of reliance on government—there was a feeling that you had an obligation to help other people, but it didn't come from the government. For example, we lived out in the country during the summer, and so we'd shop once a month. We had chickens and hogs and corn and beans on the farm, but the staples we had to go to the grocery to get. When we came back my grandfather would go by people's houses, and he would just drop groceries on the porch. Or if we harvested something, he'd just put it there and leave. Somebody's house burned down, he'd go and start marking it off and we'd start building another house.

We rejected all of that—it was gauche. You weren't supposed to think that old-fashioned people who couldn't read and write had anything to offer.

Reason: Isn't there a danger of idealizing his environment? He felt the sting of racism, I assume, quite often.

Thomas: Sure, there is a danger of idealizing everything. I think unfortunately we've idealized the bad, particularly about the South. The myths that are created about the South, about the way we grew up, about black people, are wrong. The things that worked have nothing to do with the things that are being offered today. We've talked more about civil rights *after* the Civil Rights Act of 1964 than we talked about it before 1964. I grew up in the midst of all that. My grandfather was very active: he put his property up to bail the protesters out. And all of us were members of the NAACP—the *local* NAACP. But my grandfather was more interested in raising a family. He had two little boys to provide for. Maybe there is a danger in idealizing. But I am defending what I know occurred, and what was important to us and what worked.

Reason: A number of scholars over the last decade or so have also been trying to revive that sort of ethos. The gray eminence of it all is Thomas Sowell. When did you first become acquainted with Sowell, and did you agree with him right away or did you think he was nuts or...

Thomas: I think initially I thought he was nuts. I was just starting Yale Law School, and someone had given me *Black Education: Myths and Tragedies*—"God, you've got to read this crazy book. This guy is out of his mind." I picked it up and flipped through it. It really went against all the things we'd been indoctrinated to believe about the radical movement and the peace movement when we were in college. So I threw it in the trash.

I went on my merry way, challenging all sorts of things but not really aligning myself with anybody or any idea. I went out to Jefferson City, Missouri—if you ever want to be deprogrammed from any kind of a cult, go to Jeff City—and I just rethought everything. A friend of mine, I'll never forget it, called me up and said, "Clarence, there's another black guy out here who is as crazy as you are. He has the same ideas that you have. There are *two* of you!"

Reason: Better not get on the same plane, right?

Thomas: "I can't remember his name," he said. "It's *Sowl* or *Sool* or *Sail* or something." I said, "Oh my goodness." He said, "I've got the review of a book that he just wrote." So I immediately dropped everything I was doing and got the review of his book, *The Economics and Politics of Race*. It was like pouring half a glass of water on the desert. I just soaked it up. Then I tried to get ahold of him. I called UCLA, where he was—the word I got was nobody knew who he was. So I didn't contact him. A friend of mine noticed that he was speaking at Washington University, so I left work and went over there. He was really great. I went up to him and begged him to autograph my book.

Then he moved on to Stanford, and I bugged him. I know I bugged the man. When I got to Washington I used to hold court every morning with some of the other black staff assistants and give lectures about these things.

Reason: How were they received?

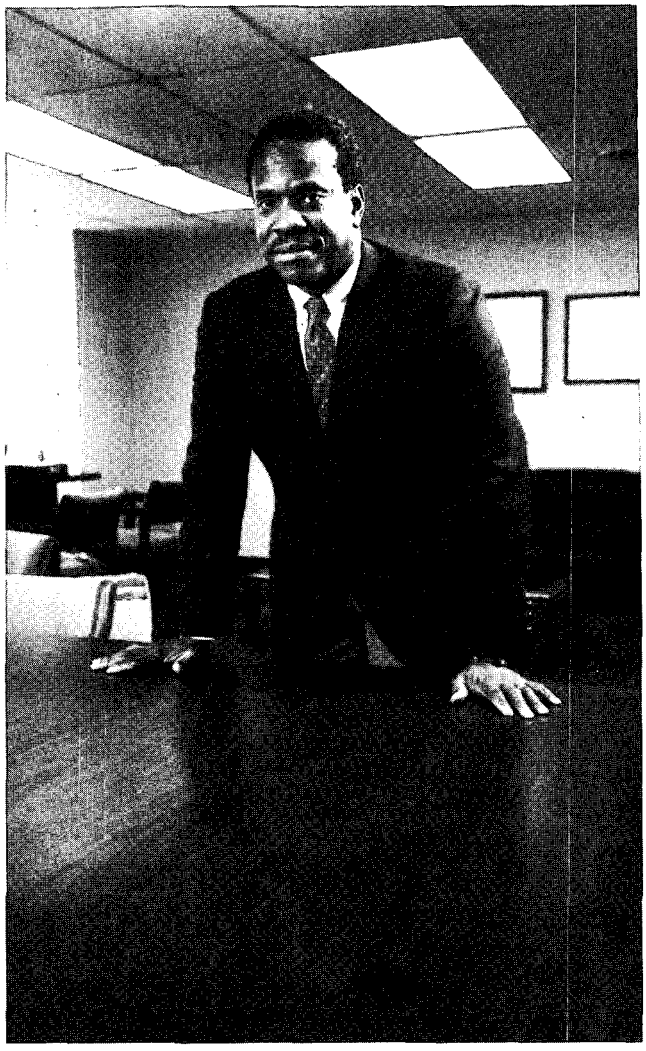
Thomas: Let's just say it was a mixed reaction. At a point, both in Monsanto and on the Hill, there were some people who when they saw me tried to evade me: at 12:15 they were trying to catch a 12:00 plane! At any rate, I consider him not only an intellectual mentor, but my salvation as far as thinking through these issues. I thought I was absolutely insane. His book was manna from heaven.

Reason: Did you talk to him before taking the job at the EEOC? Did he have any advice?

Thomas: Oh, I don't think Tom Sowell would tell anybody to join the administration. That's not his style. But I think his attitude has always been if it had to be done he'd prefer me to do it than somebody else.

Reason: I suspect that he might think that the EEOC ought not to exist. Why do you think that this agency should exist in a free society?

Thomas: Well, in a free society I don't think there would be a need for it to exist. Had we lived up to our Constitution, had we lived up to the principles that we espoused, there would certainly be no need. There would have been no need for manumission either. Unfortunately, the reality was that, for political reasons or whatever, there was a need



"There are very few people talking about freedoms. We're talking about your piece of the action, my project, this building. What about freedom?"

to enforce antidiscrimination laws, or at least there was a perceived need to do that. Why do you need a Department of Labor, why do you need a Department of Agriculture, why do you need a Department of Commerce? You can go down the whole list—you don't need any of them, really.

I think, though, if I had to look at the role of government and what it does in people's lives, I see the EEOC as having much more legitimacy than the others, if properly run. Now, you run the risk that the authority can be abused. When EEOC or any organization starts *dictating* to people, I think they go far beyond anything that should be tolerated in this society.

Reason: Although the EEOC does issue mandates to private employers.

Thomas: No, not really. To some extent in the past there has been what I consider a social engineering phase of the agency. But what I believe is that if a person's individual rights or right to be a part of our economic system is violated under statute, we aggressively go after it. But we don't issue mandates to businesses that you've got to do this and you've got to do that.

Reason: Say I'm a private employer and I'm a racist, and no matter how qualified a black candidate is I won't look at him. Isn't it my right to hire whom I choose? Should the state force me to hire somebody?

Thomas: I guess theoretically, you're right. You say, it's my property and I can do as I damn well please. I'm able to choose my wife, I can choose my employees. I can choose where I live, I can choose where I want to locate my business, the whole bit. I think, though, that we've embodied the principle of nondiscrimination because we don't have a homogeneous society. And the problem is that we had state-imposed racism in our society. We had segregation and slavery that was state-protected, state-imposed, state-inflicted. The state can't undo the harm that was done, but I feel very strongly that if there is any role for the state, it is to protect us from others.

Let's look at it from the other side. When you prevent somebody from participating in our free society and the economics of our free society, I have some real problems. That's a *right* to me.

Reason: Well it's clearly immoral to do that, but should it be illegal?

Thomas: I'm torn. If I were to look at it theoretically, as you say, I would have to say I'd like the state out of my business. Putting it back in the context of reality, I can't say that. I have seen the devastating impact of the denial of economic opportunities to certain groups, including my race. For example, my grandfather—here was a man who worked really hard. He owned his own business 'cause he didn't want to work for anybody, and the state and other individuals ganged up to conspire against him. It sounds really nice and convenient to say that if he were in an equal bargaining position, if he possessed other options, he could have pursued those options. But when a group of whites who are not a part of government conspire to deprive him of that, what does he do?

Reason: You've said that quotas are basically for the black middle class. What do you mean by that?

Thomas: When you look at where the real problems are among minorities in our society, particularly blacks, it's at the bottom. It's the people who are in school systems that don't educate, neighborhoods where there is a lot of crime, drugs, the whole bit. You don't see *them* being affected by a quota system at IBM or Xerox or the Fortune 500. They're not going to have those jobs. They're not going to be the people who go to Yale or Harvard or Princeton. They don't even come up to the line to be included. To the extent that you should have any kind of efforts, it should be for those individuals who are on the bottom. Help the people who need help most, and don't just feed them this pablum of welfare and leave them in neighborhoods that are riddled with crime, where nobody would start a business or would go to try to live. Don't shuttle them off into public housing, which in some instances amounts to concentration camps.

"If the things that are done to the individual in this city were done by one person, we'd all think we were living under a dictatorship."

Reason: Is that the nub of your criticism of the establishment civil rights movement today—that it's essentially upper-middle-class blacks who've made it, presuming to speak for people on the bottom?

Thomas: I would not characterize it as the nub of my criticism. I think it's really out of touch with reality. I came from the people that they're leading; I didn't come from the leadership ranks. I came from among the people I'm most concerned about. So did Thomas Sowell, so did Jay Parker, so did Walter Williams. We lived in the neighborhoods that they've created myths about. My grandfather—that's the guy that got me out. It wasn't all these people who are claiming all this leadership stuff.

It really bugs me that someone will tell me, after I spent 20 years being educated, how I'm supposed to think. That is offensive to me; it was offensive to me in the second grade, so you *know* it's offensive to me now, almost 39 years old. And I don't think that government has a role in telling people how to live their lives. Maybe a minister does, maybe your belief in God does, maybe there's another set of moral codes, but I don't think government has a role.

Reason: So would you describe yourself as a libertarian?

Thomas: I don't think I can. I certainly have some very strong libertarian leanings, yes. I tend to really be partial to Ayn Rand, and to *The Fountainhead* and *Atlas Shrugged*. But at this point I'm caught in the position where if I were a true libertarian I wouldn't be here in government.

Reason: In the early days the Black Panthers seemed to be very much decentralists, power to the neighborhood, and all that. You were sympathetic to them, weren't you?

Thomas: I was sympathetic to virtually all groups that wanted to get away from the old system. And I thought that the NAACP and the Urban League and CORE

and the rest of those groups were not aggressive enough. The Panthers offered, for some of us who were young and hot-blooded and ill-tempered, another way.

Reason: In retrospect was there something good about the Panthers?

Thomas: I really don't know. At that time, 19, 20 years old, we thought there was a lot. The positive was that it did keep us thinking about change. The unfortunate thing was that it wrapped up a lot of Marxist-Leninism and a lot of violence. But I was also partial to the Black Muslims, primarily because of their belief in self-help.

Reason: It's odd that Malcolm X is not a conservative hero, isn't it? He was very good on self-help.

Thomas: Yes, but he had some very strong things to say about whites. I've been very partial to Malcolm X, particularly his self-help teachings. I have virtually all of the recorded speeches of Malcolm X.

Reason: Then you still see him as a hero.

Thomas: Let's say I'm a little bit more discriminating in what I accept and what I reject. There is too much sometimes of the antiwhite rhetoric. There is a lot of good in what he says, and I go through it for the good.

Reason: Any writers who were really influential to you when you were young and still are?

Thomas: Richard Wright. I would have to put him number one, numero uno. Both *Native Son* and *Black Boy* really woke me up. He captured a lot of the feelings that I had inside that you learn how to suppress. His novel *Outside*, which is his autobiographical flirtation with communism, was really good for me, because when I got to college you had a lot of radical groups that were trying to attract black students who were upset—and I was *really* upset—and that novel sort of prepared me to not be swept away by this kind of recruitment.

Reason: There was a very interesting article—I'm not sure if you thought it was interesting—by Juan Williams in *The Atlantic* where he called you a black nationalist. Do you agree with that?

Thomas: Nah. I think Juan stopped short—he got halfway to the destination and got off the train. He is certainly an excellent writer and a good person, but I'm not a nationalist. I have been angry enough in my life, and there

"You don't need to sit next to a white person to learn how to read. The NAACP needs to say that."

are some points where I'm sure my attitudes approached black nationalism. I'm certain you could say the same thing about Malcolm X. But again, a lot of that grows out of that anger and that frustration and the feeling that you've got to do something, and you hear certain groups beckoning you on. You heard the Panthers beckoning you on. You heard the socialists or communists beckoning you on. You heard the radical students and the anarchists beckoning you on. The conservatives really didn't make an effort—they were hoarding the status quo.

Reason: Are there any areas where you think today that the civil rights establishment is doing really good work? By that I mean NAACP and...

Thomas: No.

Reason: None?

Thomas: I can't think of any. I'm the wrong person to ask, because of the malice with which they have treated me. There were grand opportunities for them to focus on the proper education of minority kids, the kids who are getting the worst education, and instead they're talking about integration. God—I went to segregated schools. You can really learn how to read off those books, even if white folks aren't there. I think segregation is bad, I think it's wrong, it's immoral. I'd fight against it with every breath in my body, but you don't need to sit next to a white person to learn how to read and write. The NAACP needs to *say* that.

You've got a situation recently where the president of the NAACP or one of his spokespersons is defending a kid who punched out a teacher. Give me a break! How in the hell are the kids going to learn, if they can punch out the teacher? I would have *died* if I'd done something like that and I went back home to my grandfather—literally died. You've got to have some standards of morality, some strong positive statements about expectations—and those organizations could do that. Instead, they spend their time telling minority kids that it is hopeless out here. Why is it hopeless? Because Ronald Reagan is making it hopeless.

When Ronald Reagan is gone, why are you going to tell them that it's hopeless? Because the government isn't spending enough money. It will always be hopeless if that's the reason. You don't have any control over that. What you do have control over is yourself. They should be telling these kids that freedom carries not only benefits, it carries responsibilities. You want to be free, you want to leave your parents' house? Then you've got to earn your own living, you've got to pay your own mortgage, pay your own rent, buy your own car, and pay for your own food. You've got to learn how to take care of yourself, learn how to raise your kids, how to go to school and prepare for a job and take risks like everybody else.

Reason: Why do you think the NAACP has never really picked up on any of the opportunity themes that Walter Williams sketched in *The State Against Blacks*, like taxicab regulations. Why do you think they seem uninterested in things like that?

Thomas: They are pro-government. It's simple. My grandfather had an opportunity to make a lot of money during the building boom after the Korean War and World War II. He couldn't get the license. These are things that I didn't have to read *The State Against Blacks* to know. We saw it. A black person could not obtain an electrician's license. So what they would do is wire an entire house and then pay maybe $100 to a white electrician to connect the wire from the post to the box—about a two-minute job.

Reason: I guess it's dangerous to speak about people as a block or a monolith, but do you think a large number of black Americans share your instinctive aversion to government?

Thomas: I think that a lot of black Americans have a lot of different opinions on a lot of different things. But I know that the vote of 9 out of 10 black Americans for the Democratic Party or for leftist

kinds of policies just is not reflective of their opinions. The Republican Party and the conservatives have shown very little interest in black Americans and have actually done things to leave the impression among blacks that they are antagonistic to their interests. Even as someone who's labeled a conservative—I'm a Republican, I'm black, I'm heading up this organization in the Reagan administration—I can say that conservatives don't exactly break their necks to tell blacks that they're welcome.

Reason: Is the solution for guys like you to assume really public profiles, maybe not as Republicans, but as independents or something and run for office?

Thomas: I don't think we'd ever win. Certainly the blacks won't vote for you—at least not now. And whites...I'd have to say there is still racism in our society, and there are still attitudes based on race. So I wouldn't expect that that would work anytime soon. We've gotten beyond the point where we were totally ignored—"They're just pimples on the horizon. They'll disappear and everything will be all right. It's a passing fad, like hula hoops or pet rocks." We *haven't* gone away. And I think the best thing we can do is not to go away. One of the things that it's forced us to do is to think through everything. I don't know one of my friends who is considered a conservative who has not had to go back and thoroughly think through everything. You do a lot of soul-searching—'cause we are not going to win any popularity contests.

Reason: You seem uncomfortable with the label "conservative."

Thomas: I'm willing to accept it for the sake of discussion, so I don't have to spend a whole lot of time on definitions, etc. But I'm just Clarence Thomas. I'm an individual. Some people say, well, you're something. Well, I'm Clarence Thomas, okay? I'm black, I know it. I'm a male, I know that. I know my biography, up to a point, and these are my beliefs now. If that adds up to your view of what a conservative is, fine.

Reason: You took this job in government, and all of a sudden people are saying terrible things about you—are you used to that now? Does it bother you when you go home at night?

Thomas: It doesn't bother me when I go home. Early on—you have to remember I was thrown on this scene. After we got back from the Fairmont Conference in 1980, it was the first time I'd had any kind of articles written about me. All of a sudden my views, or at least the journalistic synopsis of my views, are in a major paper, the *Washington Post*. I wasn't used to this kind of thing. I never ran for office. I rarely raised my hand in college. And suddenly, my name is in the paper. And to hear the things they said about me—Carl Rowan and some of the others. It does affect you. But it is so bad and so offbase that you just have to shake your head.

"You're not going to run me out of town. I'm going to stay right here. If I'm not confirmed, I'll drive a truck."

Winston Churchill was asked, Why did you become prime minister? He said, "Ambition." Well, why did you stay so long? He said, "Anger." That's one of the reasons I went back up for reconfirmation. You're not going to run me out of town. I'm going to stay right here. If I'm not reconfirmed, I'll drive a truck. I'll work in a gas station. I'll work at McDonald's.

Reason: I guess it was at the Fairmont Conference that you said, "If I ever went to work for the EEOC or did anything directly connected with blacks, my career would be irreparably ruined. The monkey would be on my back to prove that I didn't have the job because I'm black." I assume you've changed your mind?

Thomas: No. I haven't changed my mind.

Reason: The monkey on your back, is it?

Thomas: I'll be honest with you. When I was asked to go to the Department of Education as well as come here, you're dang right I was insulted. What other reason besides the fact that I was black? But then I had to ask myself, if you don't do it, what are you going to say about these issues in the future? If you had an opportunity to get in there and you didn't do it, what standing do you have to complain? As one friend put it to me, "Clarence, put up or shut up." And I wasn't going to shut up. [Laughter] There is no way anybody was going to shut me up.

And since I've been here, I've thought a lot about the rights of the individual. If the things that are being done to the individual in this city were being done by one person, we'd all think that we were living under a dictatorship. We'd all be thinking in a rebellious way about how we were going to get out from under this dictatorship. The erosion of freedoms is incredible.

Reason: Should we be thinking about rebellion?

Thomas: Well, I'm not an anarchist. But I tell you what—we should all be thinking about going to Sears and getting ourselves a tent and a survival kit! [Laughter]

I do think that our freedoms are at risk. There are very few people in the private sector and the public sector who are talking about freedoms. We're talking about interest groups, we're talking about issues, we're talking about your piece of the action, my project, this building, that building. What about freedom? What about the system or the environment that allows us to mind our own business? To live our lives, raise our families? There isn't a whole lot of talk about that.

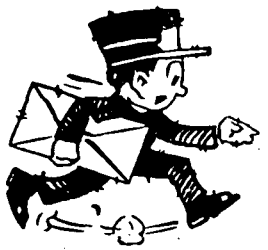
Reason: This isn't really a big-picture city, is it?

Thomas: Ultimately somebody has to think about that. What is there about this country that will lead people to crawl through sewers, get on innertubes and float across miles of water, to sneak out in the middle of the night, to cram in under trucks and buses and other things, risk their lives going across mountains, etc.—what is it about this country that people will do all those things to come in, and what is it about the Soviet Union or Cuba or the Eastern Bloc countries that would force people to do those same things to get out?

It's not so much that we're not asking ourselves the big-picture questions—we're not asking ourselves the simple questions about what is good about our society. And whether or not we are preserving the health of our society. Are we going to wait until we lose that health to be concerned about it? ◻

Shocking but true stories of those "sprightly men in gray."

Mail



I love mail. It's absolutely my favorite form of clothed social intercourse. In an era in which editorials regularly decry the lost art of letter-writing, I write — — letters that resemble Tolstoy novels. What I *don't* love is the checkered history of the U.S. Postal Service.

Throughout its existence, this country's mail has been lost, stolen, confiscated, photographed, banned, burned, shredded, mishandled, and otherwise abused. The Postal Service itself has frequently been torn with dissension, wracked by money problems, and staffed with political patronage boobs, bribe-taking scalawags, blue-nosed moral morons, and assorted bureaucratic nincompoops. As you're about to see.

1775: Two letters written by John Adams to his wife Abigail are intercepted en route and published in hopes of embarrassing Adams. Two years later, on March 8, Abigail writes to John: "The Post Office has been in such a Situation that there has been no confiding in it."

1798: Thomas Jefferson writes a letter to John Taylor and makes these truths self-evident: "The infidelities of the post office and the circumstances of the times are against my writing fully and freely." Later, Jefferson took to sending out unsigned letters, explaining the omission as a habit caused "by the curiosity of the post office."

1835: Official snooping begins, on August 4 (for those who wish to celebrate). Postmaster General Amos Kendall openly makes censorship of the mail a function of individual post offices, ruling against distribution of abolitionist pamphlets.

1853: The *Los Angeles Star* reports: "The mail rider comes and goes regularly but the mail bags do not. One time he says the mail is not landed in San Diego; another time there was so much of it the donkey could not bring it, and he sent it to San Pedro on the steamer —which carried it up to San Francisco. Thus it goes wandering up and down the ocean."

1857: Secretary of War Jefferson Davis—demonstrating the gift for prior planning that helped him lose the Civil War—creates the U.S. Army Camel Corps. The 75 one-humped dromedaries are imported (complete with a Syrian camel driver named Hadji Ali) to carry mail from El Paso to Los Angeles. This bizarre experiment lasts eight years.

1858: Mailboxes begin appearing on street corners. This cultural development proves to be a boon to sitcom plots of the 1950s, as comedians from Lou Costello and Joan Davis to Lucille Ball get their arms stuck in them trying to retrieve letters. (They also provide concealment for numerous federal agents, as evidenced by a 1970 FBI memo that suggests making suspects feel as if "there is an FBI agent behind every mailbox.")

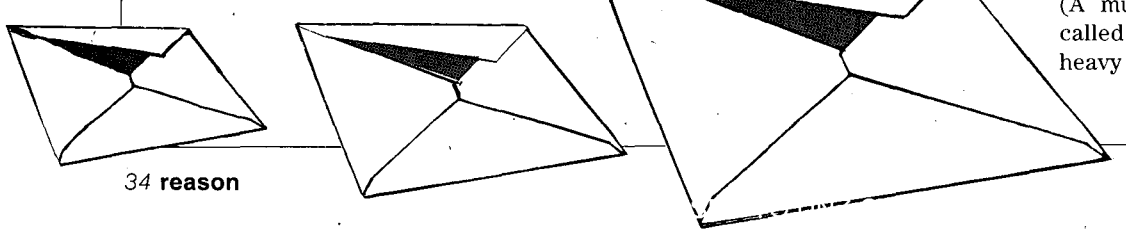
1862: Rail mail begins, a method of transport that has the related consequence, in 1866, of providing a means of gainful employment to a small-business entrepreneur named Jesse Woodson James, a believer in self-help projects and being his own boss. (When the railroads can't lose mail to legitimate, hardworking robbers, they have to manage on their own: in 1972 a mail car "disappeared" between Philadelphia and Washington on its way to Atlanta. Two years later it was found on an "obscure siding" in Perryville, Maryland.)

1865: Among items not permitted in the mail are "scurrilous epithets" on the outside of envelopes (where, one assumes, they might offend the mailman) and anything "liable to destroy, deface, or otherwise injure the contents of the mailbag, or harm the person of anyone engaged in the postal service."

Among these are "obscene books." This inclusion is curious, for surely a dirty book could not harm the mailbag or its contents and certainly could not harm the postman—unless he read it on his rounds and fell off his horse.

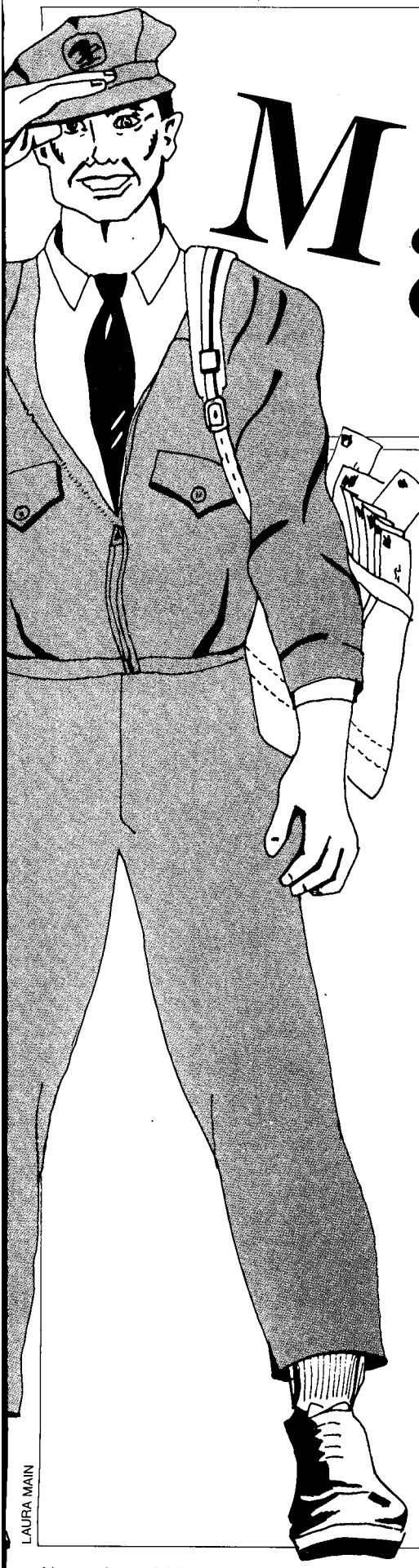
1873: Thanks to the crusading efforts of Anthony Comstock—whose objections helped make a hit out of *September Morn*—a law is passed banning from the mail all "lewd and lascivious books," as well as all contraception information. Maximum penalty: $5,000 *and* 10 years' hard labor.

Three days later Comstock gets himself named Special Agent of the Post Office, a zealot who serves without pay. (A much later target, H. L. Mencken, called the Comstock Postal Act "the heavy hand of Puritan authority [which]



Madness

by Leo N. Miletich



LAURA MAIN

constitutes a sinister and ever-present menace to all men of ideas; it affrights the publisher and paralyzes the author.")

1887: Mark Twain calls the post office an "asylum," though he admits it isn't worse than other government agencies "for the breeding and nourishing of incredible lunatics."

1892: The annual report of Comstock's New York Society for the Suppression of Vice is a lengthy litany of 19th-century lasciviousness, covering such topics as "Books and sheet stock seized and destroyed" (48,599 pounds); "Obscene pictures and photos" (812,992); "Microscopic pictures for charms, knives, etc." (7,768); "Articles for Immoral Use" (92,670); "Indecent playing cards destroyed" (6,176 decks); "Open letters seized in possession of person arrested" (114,983); and "Obscene pictures framed on walls of saloons" (194).

1893: Marshall Cushing writes an authorized postal paean called *The Story of Our Post-Office*, subtitled, "The Greatest Government Department in all its Phases." It consumes 1,026 pages. Chapters include "The Carriers, the Sprightly Men in Gray," "The Inspectors, the Eyes and Ears," and (my favorite) "The Curse of Obscene Literature." In this chapter Cushing goes after the "fiends" who "poison the innocent" with "vile advertisements." Cushing tells of one "mere girl of thirteen" who had her home searched by an agent, who found "a quantity of the most debasing matter" in her undies drawer.

1902: On April Fool's Day (surely a coincidence?) a new postal code adds to the list of banned mail "dead (and not stuffed) animals...guano, or any article exhaling a bad odor." No mention is made of perfumed love letters. Suspicious letters are nosed out and set aside for the addressee to open in front of a frowning postal employee.

1933: The Honorable John M. Woolsey lifts the mail ban on James Joyce's *Ulysses*. He notes: "I have read *Ulysses* once in its entirety and I have read those passages of which the Government particularly complains several times [a man after my own heart]....In spite of its unusual frankness, I do not detect anywhere the leer of the sensualist....My considered opinion, after long reflection, is that whilst in many places the effect of *Ulysses* on the reader undoubtedly is somewhat emetic nowhere does it tend to be an aphrodisiac. *Ulysses* may, therefore, be admitted into the United States." In other words, a book is okay if it only induces you to vomit ("emetic"); all other emotions and criteria need not apply.

1939: A total mail ban is placed on every "letter, card, circular, advertisement giving information how a divorce might be secured in a foreign country."

1944: Postmaster General Frank C. Walker bars *Esquire* from using second-class rates for being obscene. It takes two years and the Supreme Court to overturn that edict. Justice William O. Douglas denounces Walker's move, calling postal censorship "abhorrent to our tradition." (As we've seen, it really wasn't, but it was nice of him to think so.)

1953: It's Hugh Hefner's turn in court as the Post Office contests *Playboy*'s second-class mailing privileges on obscenity grounds. This dauntless righteousness on the part of the Post Office

prompts Wyoming Sen. Gale McGee to vow, "I am going to introduce a resolution to have the Postmaster General stop reading dirty books and deliver the mail!"

1954: With typical bureaucratic childishness, the CIA has to have what the FBI has, so Postmaster General Arthur E. Summerfield gives his approval to a new CIA mail-opening operation dubbed HT LINGUAL.

Meanwhile, the Post Office tries to improve its public image with some inspired propaganda. It cooperates with ABC-TV in the production of a weekly half-hour series, "The Mail Story," subtitled, "Handle With Care" (which could be seen as a warning to the writers). There are no stories about slow service or clandestine letter openings. Tales of efficiency and the capture of felons dominate the show. (It appears on Thursday nights at 8:30, sandwiched between "The Lone Ranger" and another government PR series, "Treasury Men in Action.") The series barely lasts three months.

1959: The Post Office seizes 164 copies of D. H. Lawrence's *Lady Chatterley's Lover* for use in an obscenity trial. According to Lawrence scholar Ronald Friedland, "Postal authorities were beginning to hold the books up and then sell them secretly for exorbitant prices." Don't ever let it be said that censorship doesn't pay.

That same year, the Post Office stands up to the Red scare of the Cold War by starting a new service: people who are sent mail from foreign countries are notified that their mail has been impounded and will be destroyed unless a card is signed (sort of like a confession of subversion) and returned in 15 days requesting delivery.

1963: Ralph Ginzburg is sentenced to five years in jail and a $42,000 fine for mailing an issue of *Eros* to a paid subscriber. During a press conference in front of a statue of Ben Franklin, Ginzburg argues that "no form of censorship should be tolerated by the American people." They go on tolerating it and Ralph goes to the pokey.

1964: Ignoring a 1939 law against the mailing of extortionate or threatening letters, the FBI sends one to Martin Luther King, Jr. The public, alas, is denied the sight of J. Edgar hauling himself off to the Big House.

Later that year, chagrined postal inspectors find two tons of undelivered mail in the abandoned home of a retired Water Mill, New York, letter carrier. Some of it is 10 years old. (Copycats apparently abound in the Postal Service: In 1972 a former mailman is arrested when a car he once owned is found to have over 3,000 pieces of unopened mail in the trunk. Just 16 days later another trunkful of mail is found in another carrier's car: he says he did not have time to deliver it all.)

1965: A Senate subcommittee orders the Post Office to turn over a list of 24,000 people whose mail is being watched. In testimony meant to be reassuring, Chief Postal Inspector Henry B. Montague explains that only criminals such as suspected tax-evaders and pornographers are targets of this mail surveillance. The Post Office agrees to burn all the lists.

1971: Chief Postal Inspector William J. Cotter announces new mail regulations that will allow U.S. Customs to open first-class letters from outside the country and check them for "contraband." Along with firearms, explosives, and drugs, the moral bloodhounds will also be removing dirty pictures and books. Cotter, by the way, was once an employee of the CIA.

1972: Investigators begin looking into charges that postal employees in the Bronx are "shaking down" the recipients of welfare and Social Security checks, demanding fees to guarantee delivery.

1973: A *New York Times* editorial excoriates poor mail service, noting that "a letter mailed in Manhattan takes five days to travel a distance of fourteen blocks, or considerably longer than it takes an astronaut to get to the moon." Responding to the challenge, the Postal Service hires the ad agency of Needham, Harper and Steers to help improve its public image. A budget of $4 million is approved.

1974: Not even a PR firm can gloss over the *12 tons* of mail found in the attic of Kentucky mailman Frank Sosienski. Officials say it could take a month for six people to sort and deliver the mass of mail.

1975: A former CIA employee, Prof. Melvin Crain of San Diego State, tells the press that federal agents intercepted and copied mail from Americans to the Soviet Union for years. The Postal Service hotly denies this allegation, spokesman Jamison Cain saying they have *never* been involved in opening private mail.

Six months later, Postmaster General Benjamin Bailar admits that 25 opened letters have just been discovered on the shelf of a CIA office. (In *The Lawless State*, Morton Halperin and his coauthors report: "Nearly a quarter of a million first-class letters were opened and photographed...producing a computerized index of nearly one and one-half million names.") From Orwell's *Nineteen Eighty-Four*: "As for sending a letter through the mails, it was out of the question. By a routine that was not even secret, all letters were opened in transit."

1977: The *New York Times* reports that U.S. Customs agents opened about 270,000 letters in 1976. The *Times* notes that Customs is the only government agency allowed to open letters without a search warrant or the permission of the sender or addressee.

1982: The Federal Emergency Management Agency reassures anxious citizens that in the event of a nuclear holocaust, survivors will still get their mail. $20,000 has already been spent stockpiling food and medical supplies for postal employees in five regional centers.

1983: Poetic Justice Department: About 500 postal employees in Burlington, Vermont, get their paychecks three days late. The originals were lost in the mail.

1984: The Postal Service enters a float in the annual Rose Bowl Parade at a cost of some $80,000. Not on the float is Tulsa postman Terry Lee Osborne, who is charged with stealing 121,000 pieces of mail meant for Oral Roberts.

1987: Austin, Texas, mail handler Sherro Turner is videotaped concealing envelopes at his work station. He is arrested on his way to his car, carrying a paper sack containing 22 envelopes and $10,517 worth of food stamps. The 42-year-old Turner is earning only $323 a week.

Also in 1987, it is announced that to maintain the Postal Service's long-standing reputation for service (please stop laughing), a hike in first-class postage will be sought in 1988. ◻

Leo N. Miletich's "Rock Me with a Steady Roll" was featured in REASON's March issue.

ILLUSTRATION BY GWYN STRAMLER

James Buchanan &Co.

How a self-described down-home country boy joined forces with a State Department bureaucrat, changed the face of economics, and even picked up a Nobel prize.

Last year, the Nobel Prize for economics was awarded to James M. Buchanan for his contributions to the theory of "public choice." The award touched off an unusual public discussion. Most economists usually agree that even if the winner was not their first choice, he was at least on their list of deserving recipients. And journalists who write about the issue either feel the same, disagree

by David R. Henderson

mildly, or simply admit that they don't know enough about the recipient's contributions to judge.

Not so with Buchanan. For the first time since 1969, when the prize in economics was first awarded, there has been serious dissent about whether the winner deserved it. The dissent has been expressed in public among journalists, and if *Washington Post* columnist Hobart Rowen is to be believed, in private among economists. Robert Lekachman, a socialist economist at the City University of New York, wrote in the *New York Times* that Buchanan's scholarly achievements are "rather modest." Rowen quoted an anonymous economist who was "shocked, surprised, and nonplussed" that Buchanan won the prize.

Rowen himself equated Buchanan's contributions to economics with those of—get this—columnists George Will and William Safire, and pollster Richard Wirthlin. Michael Kinsley, editor of *The New Republic*, called Buchanan "an obscure right-wing eccentric" and claimed Buchanan had said nothing that Kinsley hadn't said.

They are wrong. That these critics find Buchanan's insights obvious (Kinsley called them "trivial") shows just how profound an effect the public choice school has had: ideas about government that were once considered revolutionary are now common wisdom.

The Apples and the Bees

Public choice challenges the widespread belief that participants in the public sector pursue the public interest as diligently as people in the private sector pursue their own interests. Public choice economists assume that politicians, voters, bureaucrats, and lobbyists act in their self-interest—just like everybody else.

A personal story best illustrates how economists used to think about government. When I took an undergraduate economics course in 1971, before the public choice revolution had taken hold, the professor gave the typical treatment of government intervention in the economy. We learned that the free market is efficient if a number of very stringent conditions hold. But if these conditions don't hold, then all bets are off.

One possible cause of such "market failure" was "externalities." The usual example was of apples and bees. Apples provide nectar, which bees use to make honey. If unable to charge the beekeepers for use of their apples, the orchard owners, in deciding how many apples to grow, will not take account of the gains to beekeepers. Therefore they will produce too few apples. The positive effect of apple growing on honey production is called an externality.

Another case of market failure was "public goods." I already knew that the "free-rider problem" was a classic and widely accepted justification for government provision of national defense: there is no obvious way to charge people for the benefit they get from defense. If we tried to do so, everyone would have an incentive to free-ride on everyone else and we wouldn't get defended. Thus the justification for taxes to pay for defense.

But the professor who taught me, and the article he assigned by former JFK advisor Francis Bator, took the public goods rationale for intervention further. Even a radio signal is a public good, wrote Bator, because one person's tuning in does not prevent another person from doing so. How about allowing the radio station to scramble its signal and charge people for descramblers to exclude nonpayers? Bator objected that excluding nonpayers is economically inefficient, since the cost of servicing each additional person is zero.

Bator's analysis was not a foot in the door for government intervention—it removed the door completely. Our professor's explicit bottom line was that government intervention could be justified in virtually every area of people's economic lives. And the content of this course at a mainstream school was very similar to what hundreds of thousands of economics students had learned before and have learned since.

When we came to discuss the *actual* effects of existing government intervention—oil import quotas, agricultural subsidies, airline regulation—the tone changed. Our professor sounded like free-market exponent Milton Friedman. All these regulations and government programs had pernicious effects, he said, and ought to be abolished.

As he attacked program after program, I and a like-minded student could barely suppress a cheer. We egged him on, asking about this intervention and that one and not being disappointed by his answers. By the end of the hour, I felt exhilarated. Whatever this guy's views about the theoretical case for government interventions, he seemed to oppose every one we had.

The exhilaration was short-lived. The more I thought about what had gone on in those classes, the more profoundly dissatisfied I felt. Sure, the professor had analyzed particular government regulations and even called for their abolition. But it didn't lead him to challenge his theoretical case for intervention. We had seen the theoretical case for market failure. Where was the theoretical case for *government* failure?

Actually, there was such a case, and public choice economists had made it. Today, economics students are exposed to a very different view of government from the one we received.

Consider today's microeconomics textbooks. In one of the best-selling, *Microeconomics: Private and Public Choice*, authors James Gwartney and Richard Stroup take an unabashedly public choice approach. Even textbooks written by liberal economists bear the imprint of public choice. Listen to this quote from the latest edition of a textbook whose 12 editions have sold over 3 million copies: "Before we race off to our federal, state, or local legislature, we should pause to recognize that *there are government failures as well as market failures*" (emphasis theirs).

The text? *Economics*, by liberals Paul Samuelson of MIT and William Nordhaus of Yale. Clearly, economists view government differently from the way they used to.

The Seeds of Revolution

Although most people today think of James Buchanan and his colleague Gordon Tullock as the originators of public choice, its first major contributor was Anthony Downs, now an economist at the Brookings Institution. In *An Economic Theory of Democracy*, published 30 years ago and based on his Ph.D. dissertation at the University of Chicago, Downs sowed the seeds of public choice.

Starting with the simple assumption that politicians' main motive is to get

reelected, Downs derived some powerful conclusions. One is that rational voters will choose to be ignorant about government policies. Why? Because information is a lousy investment: the effect of one vote on an election's outcome is so small that it does not pay for a voter to become informed.

I pictured Buchanan and Tullock as urbane, pipe-smoking Ward Cleaver types.

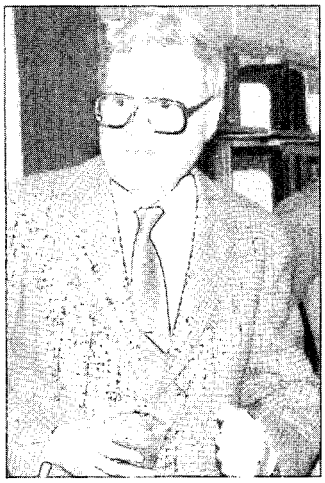
Downs also concluded that in a two-party system such as ours, once party A has taken a position on an issue, party B will position itself close to A so as to get as many votes as possible from opponents of A's position, while at the same time alienating as few voters as possible who favor A's position. For example, if the Democrats advocate spending $5 billion on some program, the Republicans would rationally advocate, say, $4 billion. That way, they could establish themselves as a clearly preferable choice for those who want no spending and at the same time pick up votes from voters who want spending but want it to be below $4.5 billion.

Clearly, this Tweedledee-Tweedledum behavior of the two major parties is what we usually observe. Candidates out on the extreme—for example, Barry Goldwater in 1964 and George McGovern in 1972—lose.

Downs also argued that government programs that hurt the economy overall are viable if they impose small losses on large numbers of people to finance big gains to small numbers of people. A good example is the federal program introduced in 1983 to subsidize milk producers for *not* producing milk. These subsidies enrich about 100,000 dairy farmers by thousands of dollars per year, while costing taxpayers and milk drinkers less than $50 per year each. Economists have shown that the total cost of such programs exceed their benefits. For instance, taxes have disincentive effects; MIT economist Jerry Hausman estimates that these cost the economy about 29 cents for every $1.00 collected. Yet, in spite of greater costs than benefits, the milk subsidy program shows no sign of being repealed. Downs's model explains why.

The dairy farmers have a strong incentive to support the program. They are well informed about how members of Congress vote on it, and their payoffs to politicians who support the program are legendary—in just 1981 and 1982, the two years before the program was introduced, the dairy lobby contributed $2 million to congressional campaigns. On the other hand, taxpayers and milk drinkers have virtually no incentive to oppose it, because their individual gains from doing so would be so small.

Popularized in the 1970s by Milton Friedman and others, this analysis of special interests' advantages now seems like mere common sense. But do not underrate the value of common sense. Downs's analysis would be news to David Stockman. In his recent book, *The Triumph of Politics*, Stockman asserts that in the early 1980s the United States in effect had a national referendum on government spending and that the vote was overwhelmingly against cutting it. In fact, there never was such a referendum. Voters never had a direct say in spending. Rather, they had to choose among particular politicians, virtually all of whom understood that the way to assure reelection is to cater to special interests, not to the general voter. The failure of Stockman, a very bright man, to distinguish between votes for spending and votes for politicians who have an interest in spending shows that the public choice message is less obvious than its critics keep saying.



Had personalities counted as much to Buchanan (above left) and Tullock (above right) as they apparently did to the Nobel committee, the public choice school might never have materialized. Below, journalists invade George Mason to hear Buchanan discuss his controversial Nobel.

The War on Orthodoxy

Although Downs's book was the first major breakthrough, the impact of public choice ideas would have been much smaller had it not been for Buchanan and Tullock. They were the ones who

institutionalized public choice. And the story of how they did so is fascinating.

It began in 1948. Buchanan, who had just completed his Ph.D. dissertation at the University of Chicago, was browsing in the "dusty stacks of Chicago's old Harper Library" when he discovered a little-known and untranslated 1896 essay that the Swedish economist Knut Wicksell had written early in his career. Its gist was that the only justifiable taxes and government expenditures are those the taxpayers approve unanimously. That way, explained Wicksell, proponents of programs have to devise taxes that actually take money from the beneficiaries of those programs.

Wicksell argued that such a system would be not only efficient but also morally sound: "It would seem to be a blatant injustice if someone should be forced to contribute toward the costs of some activity which does not further his interests or may even be diametrically opposed to them."

Reading that essay, says Buchanan, "was one of the most exciting intellectual moments of my career." Wicksell had stood orthodox public finance theory on its head in ways congenial to Buchanan's own way of thinking. The proposal and its justification were at odds with the mainstream view of the 1940s that there need be no connection between taxes paid and benefits received. That it came from Wicksell, a giant among early 20th-century economists, gave Buchanan "a tremendous surge of self-confidence." He vowed to spread Wicksell's message and immediately started translating the essay from German into English.

In the 1950s, there were few conservative or libertarian academics in the country, at most two or three per college. Most of them had developed a fortress mentality. The Volker Fund, a private philanthropic organization, was set up to remedy this. It worked.

The Fund held conferences to bring such academics together for moral and intellectual sustenance and nurture. At one of these, Buchanan and fellow Chicago graduate G. Warren Nutter, both of whom were teaching at the University of Virginia in Charlottesville, met the Fund's representative, Richard Cornuelle. Out of that came a five-year Volker grant to set up the Thomas Jefferson Center for Studies in Political Economy.

The grant authorized them to hire a postdoctoral fellow for a year. Nutter recommended his former debating partner at the University of Chicago. The candidate's credentials—a law degree, one course in economics, and nine years as a State Department employee specializing in Oriental communism—were not obvious qualifiers. But neither Buchanan nor Nutter was into credentialism.

Our professor had shown us the theoretical case for market failure. But where was the theoretical case for government failure?

Buchanan met this government bureaucrat at the American Economic Association meetings in Philadelphia and came away with a thick manuscript full of insights into how bureaucracies work. After reading it, he offered the fellowship. Gordon Tullock accepted. Thus was formed a close association that lasted for over 20 years. The manuscript turned into a book, *The Politics of Bureaucracy*, that should be thought of as a classic.

In 1959, Buchanan and Tullock decided to write *The Calculus of Consent*. This book *is* a classic. That it was published in 1962, the 175th anniversary of our Constitution, is appropriate. For in it, the authors defend a constitutional democracy with checks and balances, much like the one we started with in this country. Their book is really a modern-day version of James Madison's contributions to the Federalist Papers, informed by a much more sophisticated knowledge of economics.

In *Calculus*, Buchanan and Tullock analyze various possibilities for constitutional rules of governance. One they consider is a requirement that any government activity be approved unanimously. While such a rule assures that no government action will impose net costs on anybody, it is also unworkable in practice. So they consider various ways of modifying the rule to attain "workable" unanimity. But they do much more than this, and a few paragraphs cannot do justice to their accomplishments. This book alone should have won the Nobel for Buchanar *and Tullock.*

Compatriots in the Revolution

When I read books by people I've never seen, I form mental pictures of them. Reading *Calculus* in 1970, I pictured Buchanan and Tullock as urbane, pipe-smoking, Ward Cleaver types in their mid-40s. I was roughly right about their ages, but dead wrong otherwise. Buchanan, who grew up in rural Tennessee, regards himself as a down-home country boy, or, in his words, "one of the great unwashed." He is also very shy. Tullock, who grew up in Chicago, has a cherubic face that makes him look like an overgrown kid. He is very abrasive. He loves to tangle people in knots when he disagrees with them and will push until they cry uncle. My guess it that his abrasiveness cost Tullock a Nobel. (The Nobel decision was apparently a cliff-hanger: Tullock claims he was told that the committee split at the last minute on whether to make a joint award.)

Had personalities counted as much to Buchanan and Tullock as they appeared to with the Nobel committee, their partnership would never have materialized. But what counted was their ideas. Although Tullock had entered the University of Chicago "as a moderate Republican who believed in high tariffs," and Buchanan as a self-described "libertarian socialist," within weeks both had become hard-core free-marketeers. Tullock attributes his conversion to a 10-week course in basic economics taught in the law school by Henry Simons. Buchanan was most influenced by the legendary Frank Knight.

(In 1986 Buchanan described himself to the *Washington Post* as a libertarian. But he holds some apparently unlibertarian ideas. In a 1971 article, Buchanan advocated equalizing people's economic opportunities with "confiscatory inheritance taxation," "massive public outlays on general education," and "selective programs to eliminate poverty." He still does. Explains Buchanan: "I don't think libertarianism makes much

sense until you define who are the players in the game. People have to have the sense that it's a fair game. By evening up the starting point, we make it fairer.")

Together, Buchanan and Tullock nurtured the public choice school of thought. Tullock arrived permanently at the Thomas Jefferson Center in 1962. He left in 1967 over a conflict with the university administration—they had thrice denied him promotion from associate to full professor. Buchanan followed the next year: "I left because there had been repeated signs that the university's administration did not support us. They did nothing to keep Ronald Coase (who then went to the University of Chicago Law School) or Andy Whinston. Tullock was the last straw."

But during those years they had, according to Tullock, "an extraordinary collection of students." Among them were James C. Miller III, currently head of the Office of Management and Budget, and Robert Tollison, now a leading academic public choice economist. One of the students, J. Ronnie Davis, refers to those years as "Camelot."

Actually, there was such a case. Public choice economists had made it.

Anthony Downs (above left) sowed the seeds of public choice 30 years ago by applying economic assumptions to political behavior. William Niskanen (above right) used public choice ideas to analyze government bureaucracies. Current OMB head James C. Miller III (left) and his fellow graduate students made a name for themselves in 1968 with the book Why the Draft?

A core group of these students made names for themselves even while in graduate school by publishing *Why the Draft?* in 1968, the height of the draft protests. Edited and entrepreneured by Miller, the book made a solid case—on grounds of economics, justice, and tradition—against the draft. With an introduction by Senator Edward Brooke of Massachusetts and glowing praise on the cover by both Milton Friedman and John Kenneth Galbraith, it sold about 35,000 copies.

A popular book by graduate students in economics is almost unheard of. One reason this one came to be is that Buchanan nurtures students. He has them write weekly papers, many of which later become scholarly articles. One of his favorite sayings is, "Don't get it right—get it written." Buchanan contrasts his approach with what he calls the "UCLA disease." When I first heard him use the term, I knew immediately what it meant, having earned my Ph.D. there. We UCLAers learned very quickly that if you made a mistake, the gods of economic wisdom—the professors—would jump all over you. That made most of us gun shy—and many ex-UCLAers have taken years to recover.

Precisely the opposite happens to Buchanan's students. Their first work as graduate students is usually not their best. But they grow quickly. This encouragement is a big factor in the spread of public choice.

Tullock also did his share to disseminate the new paradigm, both with his own prolific writing—he dictates articles quickly into a tape recorder and then edits the transcripts—and by beginning a journal. Started as *Papers in Non-Market Decision-Making* in 1966 and funded out of Tullock's own pocket, within a few years it became the *Journal of Public Choice.*

What's in a Name?

How did they come up with the phrase "public choice"? Says Tullock: "We started having annual meetings of people interested in the field. We considered calling ourselves the No-Name Society, then Polyconomics, then Synergetics. We didn't like any of them. We couldn't use the term 'Political Economy Society' because 'political economy' in those days meant Marxist. Bill Riker [a political scientist at the University of Rochester] suggested 'public

choice.' No one liked it much, but it was neutral."

The first years as the *Journal of Public Choice* were at Virginia Polytechnic Institute (VPI), where Tullock went in 1968 after a year at Rice. Buchanan followed Tullock to VPI a year later, and together they set up the Center for Study of Public Choice, funded partly by private money and with salaries paid by the school's economics department. In 1982, Buchanan and Tullock—and the Center—moved to George Mason University in Fairfax, Virginia.

Throughout this time, their interests diverged. Buchanan has focused on what he calls "constitutional economics." He spends a lot of time thinking about what kinds of rules people would choose if they could revise the Constitution. (For example, he himself favors some kind of balanced budget amendment.) His interests in the area have become more philosophic and less economic, as he struggles with some of the same issues as philosophers Robert Nozick (*Anarchy, State, and Utopia*) and John Rawls (*A Theory of Justice*).

Tullock, on the other hand, is an "economic imperialist" who has applied the economic approach to understanding revolutions, dictatorships, and court trials. He also pioneered the theory of "rent seeking": the use of political activity to redistribute wealth from others to oneself. Most economists who write about redistribution think of wealth being channeled from the rich to the poor. But Tullock, especially in his 1983 book *Economics of Income Redistribution*, emphasizes the even more substantial transfers that have nothing to do with rich and poor.

A good example is farm programs. Many farmers are rich, many are middle-class, and many are poor. Exactly the same is true of the consumers and taxpayers who pay for these programs. Tullock was the first to note that the attempt to redistribute income to oneself is costly and that many of the gains from rent seeking are dissipated in the process. His work has generated a great deal of controversy about what fraction of the redistributed income gets lost in the process. Tullock is currently trying to figure it out himself.

He is doing so at a new location. Last summer, Tullock moved to the University of Arizona. He says the move was not triggered by bitterness at not sharing the Nobel. "I am irritated—not at Buchanan, because he had nothing to do with it, but at the Nobel committee. I was very upset when it first happened: I couldn't sleep the first two nights. I have quieted down." So why the move? Part of it is the divergence of Buchanan's and Tullock's interests. But also, Tullock turned 65 this year, qualifying him for the Virginia state retirement plan. By moving to Arizona, he will be able to "double dip."

By reinforcing a skepticism of government native to Americans, the public choice school has made a permanent mark.

Of course, much research on public choice has gone on at places other than the Center. For example, William Niskanen, now chairman of the Cato Institute, wrote one of the classics on bureaucracy while at the Institute for Defense Analysis. In *Bureaucracy and Representative Government*, published in 1971, Niskanen applies to heads of government bureaus the central assumption of public choice—that people in the public sector pursue their own interests. Figuring that these bureau heads have a monopoly on the goods and services they produce for "sale" to the legislature, Niskanen concludes that bureaucracies will produce approximately twice the optimal level of output.

Other economists have criticized this conclusion and the analysis leading to it. For example, Earl Thompson of UCLA showed in a journal review at the time that if Niskanen were right, half the voters would want to eliminate the bureau altogether—something we don't observe.

Niskanen admits the criticism but responds that his monopoly assumption is the culprit. In practice, he notes, bureaus often do compete. The Federal Trade Commission and the Justice Department both enforce antitrust laws, and such competition, he claims, makes a bureau's output closer to the optimal level.

Another strand of public choice research is that of economists at the California Institute of Technology who have focused on the political agenda. Their thesis: he who controls the agenda controls the outcome. That is, by specifying the options from which voters can choose, and even by specifying the order of options, a clever agenda-setter can get whatever outcome he wants. An important way to limit the power of legislatures, therefore, is to have an initiative process, such as California's. That way, voters who are unhappy with the alternatives they're given can, with enough votes, get their preferred option on the ballot.

The Pioneers Forge Ahead

Much is brewing in public choice research today. Robert Tollison, director of the Public Choice Center at George Mason, has consistently produced new ideas. He is not content with having demonstrated, with coauthors William F. Long and Richard Schramm, that antitrust authorities prosecute firm A and not firm B because firm A's sales are higher. Nor does he stop at showing, with coauthor Robert McCormick, that the pay of a state's legislators is directly related to the date of its constitution (the more recent the constitution, the more power it gives to legislators).

Now Tollison is taking on the view of Milton Friedman and Anna Schwartz that honest mistakes by the Federal Reserve Board caused the money supply to shrink in the 1920s, thus causing the Great Depression. Argues Tollison: "The Fed purposely engineered the Great Depression to hurt banks that were not members of the Federal Reserve System and to help banks that were members."

Friedman is not convinced. Yet he recently admitted that public choice has affected his view of the Federal Reserve. "I no longer give advice to the Fed. I instead try to figure out what kind of constitutional or institutional arrangements we could set up which would make it possible to abolish it."

Even outside the Center, a large research community works from the public choice framework. Gary Becker, a

University of Chicago economist who pioneered the application of economic analysis to discrimination, "human capital," and the family, has recently weighed in on rent seeking. In a 1983 article, he reaches a controversial conclusion: that government programs to redistribute income will be the most efficient ones possible for achieving that redistribution.

Becker claims that the programs will not impose net losses. In fact, what he really demonstrates is that the losses will be as small as possible. Why? Because if the losses for a given amount of redistribution could have been smaller, then the gainers would have an incentive to substitute programs that give them the same benefits but cost the losers less: that way, less opposition would be generated among losers.

But Dwight Lee, a public choice economist at the University of Georgia, disagrees. Often, notes Lee, the most efficient way of redistributing is to tax everyone and give the proceeds directly to the politically powerful. "The problem is, this is also the most blatant. A blatant way of subsidizing the politically powerful will generate more opposition among the losers than an inefficient but subtle way that they are not even aware of."

Even with Lee's caveat, Becker's theory can explain why privatization of government assets has been much more extensive in Britain than in the United States. When the Thatcher government wanted to unload public housing on which it was taking a loss, it sold the housing to current tenants at below-market prices. This made the politically powerful tenants, who otherwise would have opposed privatization, into strong supporters. In the United States, on the other hand, when Reagan's Office of Management and Budget tried to privatize electric power in the West, it did not propose giving current beneficiaries of artificially low-priced power any share in the gains. Not surprisingly, OMB's initiative is going nowhere.

And not to be missed in a necessarily incomplete survey of the public choice landscape is a paper on gerrymandering being written by Ben Zycher. Gerrymandering—dividing states into election districts to give one political party an electoral majority in a large number of districts while concentrating the opposition's strengths in as few districts as possible—is often considered unsavory, even immoral. In recent years it has mainly helped Democrats who disproportionately control the state governments that do the redistricting.

But Zycher, a free-market economist at the Rand Corporation, defends gerrymandering. In its absence, he argues, many more elections would be close, thus increasing the power of concentrated groups and creating a bias toward bigger government. Furthermore, gerrymandering guarantees the minority party a minimum number of seats even in a landslide, thus preserving the political system's long-run competitiveness.

The Choice of a New Generation?

Of course, not all students of the political system have been persuaded by the public choice paradigm. Joseph Kalt of Harvard's Kennedy School of Government and Mark Zupan of the University of Southern California have given overwhelming evidence that narrow self-interest alone cannot explain legislators' votes. In a 1984 article, they show that the ideology of U.S. senators was an important factor in their votes on a bill to regulate strip mining. In a recent book *Making Public Policy: A Hopeful View of American Government*, Kalt's colleague Steven Kelman raises many similar cases that cast doubt on the public choice view that only self-interest matters, not ideas—for example, about the proper role of government.

Buchanan himself agrees: "Public choice scholars who assume that voters and legislators care only about their narrow self-interest have gone too far." But he points out that the public choice approach is useful even though people have broader, more altruistic concerns. Just as the tax deductibility of charity increases the amount of charitable giving, he argues, so allowing government officials the power to distribute "rents" will lead people seeking those rents to invest more to influence the officials' decisions.

Has public choice had an important impact? Buchanan and Tullock student and OMB chief James C. Miller III answers that question with a resounding yes. Says Miller: "The public choice approach has caused people to focus on a question that virtually no one was asking or answering: how do you structure incentives in the political system so that politicians will make the 'right' choices?" He sees the seeds of public choice thinking in the Gramm-Rudman law and in proposals for a balanced budget amendment.

Milton Friedman, not himself a member of the public choice school, finds its work "tremendously important." What they did, he said recently, "was to bring out explicitly...and develop logically and systematically" what had been implicit in the writings of earlier economists: that government officials are as self-interested as businessmen.

Buchanan, Tullock & Co. have reinforced a skepticism of government native to Americans. On questions of government intervention, the burden of proof is now more than ever on the proponents. And that is all to the good. ◻

David R. Henderson, a former member of President Reagan's Council of Economic Advisers, is currently a regular contributor to Fortune.

By Mark Skousen

Doom and Gloom Are Back!

Never mind that inflation, interest rates, and unemployment have declined sharply, marginal tax rates have been cut to 28/33 percent, and the stock market is at an all-time high. Forget deregulation and privatization. The Great Crash is inevitable and is coming sooner than you think!

Of course, we have all heard this old saw repeated over and over again since the 1970s, and *still* the "bad times" have not recurred. You would think the doom-and-gloomers would have lost their constituency by now, but apparently not.

The hard-money crowd and other purveyors of bad news have continued to publish the message of Apocalypse as if Armageddon were just around the corner. In fact, judging from the number of recent publications on the subject, you'd think we were in the midst of a worldwide panic. Howard Ruff just changed the name of his newsletter back to *Ruff Times* (from the upbeat *Financial Success Report*). Doug Casey, maverick investment advisor and author of *Crisis Investing*, is one of the most successful speakers at investment seminars. In his monthly letter, *Investing in Crisis Newsletter*, Casey predicts the "Greater Depression" and sharply higher gold prices.

Other popular hard-money writers and speakers who are spreading the bad news about excessive debt, the banking crisis, and government intervention in the economy include Don McAlvany, Gary North, Donald J. Hoppe, and Julian Snyder. (The truth is, I'm more than willing to add my name to the list, although I tend to be more optimistic than most hard-money advisors.)

But now it appears that doom and gloom have even become popular with the "establishment." *Forbes* columnist Ashby Bladen has become a kind of popular folk hero like Andy Rooney by writing regularly and depressingly about the worldwide debt crisis. As he stated in a recent column, "It is more pleasant to enjoy the rising stock market than to recognize that, unless we as a nation stop borrowing and start repaying, we

will bequeath to our children an impoverished and overindebted nation." Bladen recently published his bearish outlook in *How to Cope With the Developing Financial Crisis* (McGraw-Hill, $4.95).

Jim Davidson and William Rees-Mogg have written a morbid tale of the world's economic future in their book *Blood in the Streets* (Summit Books, $19.95), based on Rothschild's cynical remark, "Buy when blood is running in the streets." (And I would add, "Just make sure it isn't *your* blood!") Davidson is the founder of the National Taxpayers Union and has recently entered the investment advisory business with his newsletter *Strategic Investment*. Rees-Mogg is the former editor of the London *Times*—you can't get any more "establishment" than that.

According to Davidson and Rees-Mogg, the world has gone mad with excessive credit creation, which inevitably leads to a default on debt and a real estate crash, among other sordid events. Unfortunately, the authors are long on criticism and short on solutions, especially for the average investor who is more interested in protecting his assets than in making a killing during a crisis.

The most improbable addition to the crisis hit list comes from none other than the *Wall Street Journal*! One of its news editors, Alfred L. Malabre, Jr., has just written a blockbuster that is gaining considerable interest around the country, appropriately called *Beyond Our Means* (Random House, $17.95). Malabre, no friend of the hard-money movement, says that "the dark pessimism of the apocalyptic forecasters grows less improbable." He bluntly predicts: "Reagan's Age of Optimism now seems likely to end in an economic catastrophe and a sharply reduced standard of living for us all."

Malabre argues that we are headed for neither deflation nor hyperinflation but "a new era of intensifying government regulation over the economy." This intervention might include wage-price controls, foreign-exchange restrictions, and shockingly, a moratorium or partial default on government securities! For all you security-conscious conservative investors who have put your money in "guaranteed" Treasuries, you may be rudely surprised someday. (I have long maintained that lending money to the U.S. government through the purchase of T-bills and U.S. savings bonds is unethical and a tragic misallocation of investors' money. Sometime in the future they will also prove to be a lousy investment.)

Like Davidson and Rees-Mogg, Malabre offers very limited practical advice about how to protect yourself from the coming financial panic. As Malabre points out, there is little the government can do to keep the panic from striking. "The main message here is that the hurricane can't be stopped, that we can only try to make things less nasty when it hits."

I think the best way to protect yourself is to (1) eliminate personal and business debt as quickly as possible, (2) build a strong cash position, and (3) buy quiet investment hedges, such as gold and silver coins or real estate.

Mark Skousen is adjunct professor of economics at Rollins College, Winter Park, Florida, and the editor of the monthly investment letter Forecasts & Strategies.

CHARLES PEALE

SELLING HIGH, BUYING LOWER STOCK PRICES and TOTAL MONEY

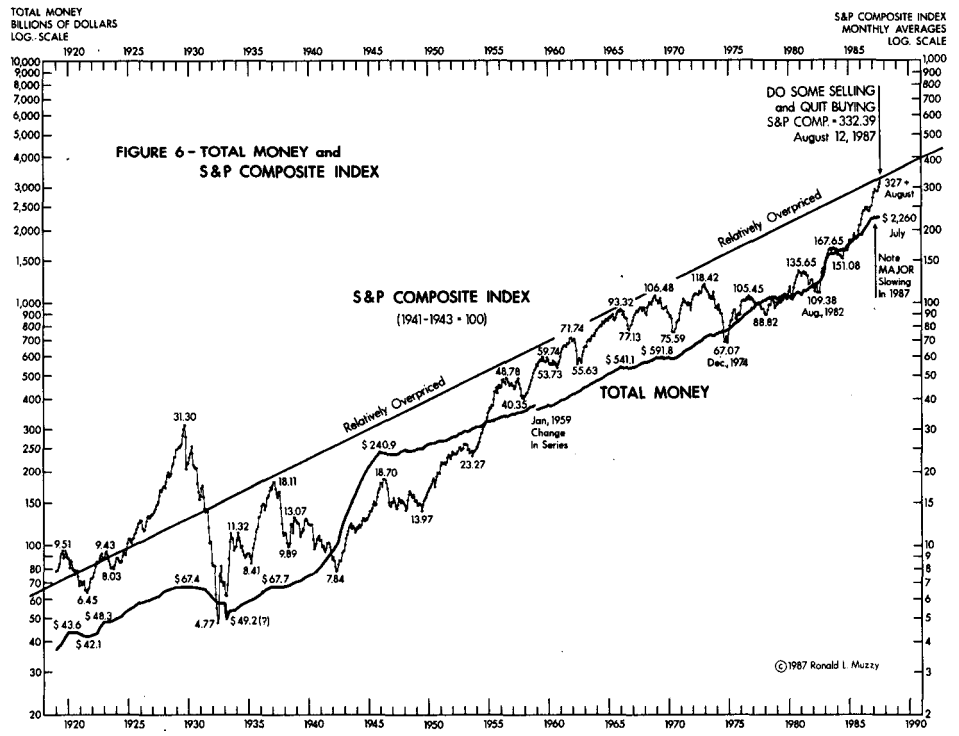
After a 5 year increase in stock prices, in one of history's greatest bull markets, the matter of selling "high" is of obvious importance. However, selling near, or hopefully at, a market peak, is very tough psychologically. We all want to sell at the very peak in prices, not missing any part of the price increases. Also, at stock price peaks, the business news is good overall, with nearly all advisers bullish.

To buy low and sell high, however, means selling "high" at some point. And, given the present monetary trends, the present is indicated to be such a time. No, we're not going back to 800 in the Dow Jones Industrial Average, but an overall drop of 20 - 25% or even a bit more is certainly possible. And, although no 1930's economic depression is indicated (although always possible, given the economic ignorance of the U.S. Congress), an indicated end to the present economic expansion means having one's financial affairs in order, and doing some selling.

The "wild-card" in all this is the Federal Reserve, and the conduct of monetary policy. However, the Fed faces a monetary policy dilemma: a choice between equally unsatisfactory alternatives. High interest rates will (maybe!) keep the dollar from declining further, but hurt the housing/automobile markets. Monetary restraint will keep price increases "reasonable" but increase unemployment.

Ronald L. Muzzy

Because we presently have major and "opposing" economic, monetary, and financial trends, and a near record U.S. Federal budget deficit, with an indicated recession, one needs both cash and a strong balance sheet, as well as holding inflation hedges, as the indicated recession is probably "cured" by a massive expansion of money in coming months.



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By John Dentinger

Waging Drug Peace

A bespectacled, salt-and-pepper–haired grandfather and American University professor of justice seems an unlikely candidate to wave the flag of truce in the government's war on drugs. Arnold S. Trebach, 59, neither uses nor encourages others to use illegal drugs, but then he isn't waging drug peace out of fear the government will win. It's losing, he says, and will inevitably lose as long as we have any semblance of a free society—but that semblance is becoming a war casualty.

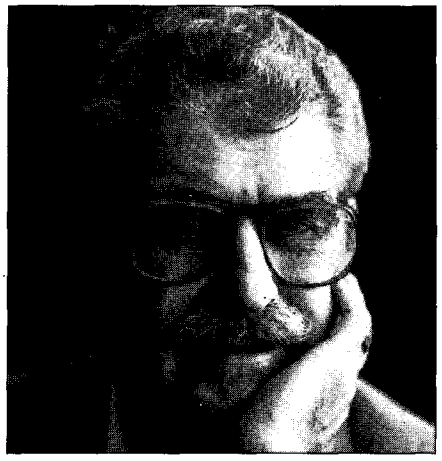
Trebach is trying to rally the "loyal opposition" through his Drug Policy Foundation. His studies have led to innumerable articles, speeches, and interviews, and he has consulted for organizations ranging from British television to the CIA. "We must convince people that it is respectable, it is rational, it is decent, to oppose current drug laws," he says.

Trebach's own attitude is one of warm, fatherly solicitude toward those on both sides of the drug war. "The major thing I want to do is replace hate with love or intolerance with tolerance," he says, in the accent of his native Boston.

"The drug law does not deal with some of the major problems connected with drug abuse—crime and corruption. The law only makes the corruption worse, makes the crime worse, and does not help the simple addict," he says. "I know of no addict who has been helped by being treated as the enemy."

Yet Trebach is also sympathetic to the idealistic young drug warriors who risk their lives in a dubious cause, and his just-published book, *The Great Drug War*, depicts their efforts to destroy marijuana crops in northern California. At the same time, he is appalled by the threat of these military-style operations to the rights and safety of outraged citizens.

In fact, it was the combination of idealism and violence that first drew Trebach to study political science and law enforcement. "In '52, I got drafted, during the Korean mess. I just missed being in World War II by one year. Suddenly, boom—I was on the bayonet fields of Fort Dix and heard 240 nice American kids screaming, 'Kill! Kill! Kill!' "



Arnold S. Trebach: *"I know of no addict who has been helped by being treated as the enemy."*

Trying to understand the ease with which "nice American kids" could adapt to such violent attitudes, Trebach returned to school. He studied politics at Princeton, where "most of the studies of international relations were dull as dishwater." What did excite him were issues of democracy, rights, and freedom—issues that led him to study the criminal justice system.

Researching his dissertation, he says, "What appalled me was the extent to which the poor were brutalized by the police. I interviewed one black guy in prison who said, 'I thought police had a right to punch you.' "

In 1960, Trebach became chief administrator of the Justice Section of the U.S. Commission on Civil Rights, for whose 1961 report he was principal author. Some of his language from that report was quoted in the landmark *Miranda* decision in 1966. In the 1970s, Trebach recognized how the war on heroin created problems in the justice system and turned his interest from civil rights to drug law—primarily research on heroin and marijuana.

Describing himself as "old-fashioned," he opposes legalization of heroin, preferring a system of limited distribution by prescription. A "recovering tobacco addict," he'd like to see marijuana treated the same as cigarettes—with warning labels and restrictions on where it can be smoked.

He finds the public reaction to his work encouraging. "Mainly I hear from middle-America folks: a retired couple in Texas, or a retired Naval commander, and they say, 'We don't have any interest in drugs, but we don't think the country should be torn apart this way, and thank you for what you're doing.' "

Still, Trebach has had his share of nasty-grams: a couple dozen insulting or threatening communiqués. In 1984, the president of American University received a telegram complaining about him: "...Close your doors immediately. Do not continue to corrupt any more American youth." Colleagues joked, but the telegram hit a sore spot with Trebach—the claim that even criticizing drug laws, much less conveying honest information about drugs, will lead young people to cavalier attitudes and addiction. Anonymous surveys of his students indicate that Trebach's courses affect the drug use of only a few—most often by *discouraging* it.

Throughout his career, Trebach has expressed a concern for the underdog that springs, he says, from "a real, naive belief in democracy—I really believe that stuff. I grew up in a time of anti-Semitism. But if some kid in school called me a dirty Jew, I'd punch him in the mouth and then reason with him. I had one fight a year, in the fall."

He still prefers reason to fistfights. "As a cultural matter, I think we ought to be saying to those people, person-to-person, So you take drugs—big deal. All I want to know is, Does it interfere with loving relationships? Does it interfere with your work? Does it interfere with your health? If it does, you'd better start thinking about it. All I care is that you behave all right."

John Dentinger is a free-lance writer in Los Angeles.

Enlarged

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"Look north. Old Canadian silver dollars, each containing 0.6 oz. of silver are selling for under $10 each," writes investment advisor Adrian Day in *Investment Monthly*. "The pre-1967 dollars are big, heavy, real silver – honest-to-goodness money – whose value is not subject to investor fads and fancies."

It's easy to see the logic in what Mr Day writes. At present the most common U.S. silver dollars are selling for about $30 each in rolls of 20 coins. And other common dates sell for as much as $85 each in quantity. Yet at less than $10 per coin, Canadian silver dollars offer greater rarity at a lower price.

The chart below compares current prices of the most common U.S. silver dollars with the Canadian silver dollar:

Item	Date	Mintage	Price
U.S. Silver Dollar, Morgan type	1921	44,690,000	$35.00
U.S. Silver Dollar, Peace type	1923	51,737,000	29.75
Canadian Silver Dollar	***1965***	***10,786,596***	***8.90***

As you can see, the Canadian silver dollar sells for about 75% less than the U.S. silver dollar – despite the fact that the Canadian silver dollar has a far lower mintage. You can buy a "mini-roll" of ten Canadian silver dollars for about the same price as two of the commonest Morgan silver dollars minted!

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The Soul of Independence

By Michael Konik

Three infatuated suitors vie for sensual Nola Darling in Spike Lee's "She's Gotta Have It."

Independents. They're films financed by somebody other than the major studios.

Independence. That's what a filmmaker hopes to get when he shoots an independent.

Spike Lee and Robert Townsend are two directors who decided to put their money where their mouths—and cameras—were. The results, in *She's Gotta Have It* (1986) and *Hollywood Shuffle* (1987), represent a measure of cinematic autonomy usually absent in the homogeneous mediocrity churned out by Hollywood's boardroom method of moviemaking. Though neither film is an auteurist masterpiece, both exhibit an indelible individuality, a personal investment by their creators. Literally.

Lee and Townsend scraped together the necessary funds for their respective projects by tapping family, friends, and personal savings. Townsend's financial ingenuity and nerve is particularly exciting, the stuff of capitalist lore: He subsidized a large portion of *Shuffle*'s budget through liberal use of his credit cards, gambling that his film would be successful enough to retire the huge debts he was accruing. It worked.

But more important than the nontraditional capitalization, meager budgets (both around $300,000), and requisite spirit it took to get *She's Gotta Have It* and *Hollywood Shuffle* into American theaters, is that these films are about blacks, by blacks. In two consecutive years, independent, black directors have had the desire, the audacity, the sheer will to ensure that their visions made it to the screen. And though it would be presumptuous to call these movies the precursors of "The Black School" of filmmaking, each has an undeniably black sensibility, a wisdom about black life in this country that few films made by whites (*A Soldier's Story*, perhaps) come close to capturing. Sure, "Beverly Hills Slop" and others of its ilk featured a black lead—exploiting his supposed "street smarts" to outwit the dimwitted and generally uncool Caucasians; *The Color Purple* tried to tell a black woman's moving story but was undermined by Steven Spielberg's "white bread" perspective; and, of course, black actors have been seen frequently in American films—as pimps, muggers, and informants. What's revolutionary, then, about *She's Gotta Have It* and *Hollywood Shuffle* isn't their cinematic flourishes or anything so artsy; it's that both films elevate blacks from supporting players, stereotypical caricatures, and fast-talking liars to *people*, people who are interesting and challenging enough to earn our attention, sympathy, and enthusiasm.

Lee and Townsend take largely different, yet not antithetical, approaches in their quests for cinematic dignity. *She's Gotta Have It* could very well be about whites, except it's not. The atmosphere is decidedly middle-class Brooklyn. "She" is Nola Darling, "it" is sex. Nola has three boyfriends; none want to share her, all must. The narrative traces Nola's sex-loving, free-spirited relationships with her ardent admirers, a trio of types. Two of the characters' personalities are derived not from race but from larger generalities: one's a stuffy intellectual, the other a narcissistic stud; we could recognize these guys in any color. The third suitor, however, is unmistakably Black. Speaking in the rhythm and vernacular of rap music, sporting oversized, lensless glasses and enormous gold necklace/nameplate, Mars Blackmon (Lee gives him an overtly symbolic name) is a cartoon enlargement of every urban "flyboy" you've seen toting a suitcase-sized boom-box.

As played by Lee himself, Mars is a deadly accurate parody of a black stereotype. The director's method of satire is familiar yet effective: take easily recognizable elements of character and inflate them to absurd proportions for sublimely comic effect. And it's the comedy that we remember about Mars, not his racial significance. Thus the focus of Lee's work remains blacks on film instead of "Film on Blacks: Their Condition in Modern America." *She's Gotta Have It* is far more concerned with eroti-

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This ad will explain every detail of an exciting new business that has never been advertised or attempted before—what's more, you can enter with absolutely no money.

Life was not always rosy for me. I got involved in a bad business investment a few years ago and lost about $11,000. Everything I owned was taken away from me. I needed money desperately to feed my family, so I was forced to toil as a waiter at the Sheraton Harbor Island Hotel in San Diego by night, and I was a filing clerk during the day. It was so exhausting, that as soon as I got home, I would sleep for just a few hours, wake up in a stupor, drink four cups of coffee, and then scramble to my next job. I had no choice. It was the only thing I could do to stop disappointing my loved ones. I remember coming home on Mother's Day really eager to call my mother, only to find that my phone had been disconnected. I went through the mail praying for some good news, only to find an envelope with no return address—it contained an eviction notice. At this point I thought we would have to live in our beat-up Fiat. We were fortunate to have relatives that were kind enough to let us stay with them. I never knew life could be so miserable. I sat down on the sidewalk just realizing how much being in debt could hurt. With tears in my eyes, I prayed for a way out.

My friend Gary, who was in the same financial boat as I was told me a story that changed my life forever. He told me very excitedly, "I received a funny-looking letter. When I first saw it, I thought it was another creditor making a claim on me. The letter told me about money that was rightfully mine—it said that if I signed the enclosed form, I would receive $2,592.59. Things were so bad that I had nothing to lose, so I signed the form neatly and returned it to the company.

"Ten days later I received a check for $2,592.59 with an explanation. A distant aunt had died and left $4,320.98 in her savings account. The company that found me collected $1,728.39. The firm had no trouble finding out that I was related to her. Just for matching up people with the same last names, that agency was making millions every year."

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I have been able to locate and notify 421 claimants (worth $20,197,323.97 in claims). I was even contacted by a Texas ranger that thought I was running a scam. Later when the ranger understood what I was doing he told me I could use him for a reference. I have made over $300,000 since I last wrote you Dave.
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Due to the methods in your book I was able to secure $16,212 with the help of my brother. I had to get my 16 year old brother to help me because I am under age. I am 15 years old and have been traveling to Miami, Jamaica, St. Croix, New York. I'll be going to England very soon and L.A. Thank you for helping me make money with your system.
Andre I., CT

I've spent at least $7,000 on money-making books and seminars. The difference between them and your method is that yours works! In less than three weeks (part time) I was able to secure $52,614.21. Thanks for a business that will easily make me $100,000 this year. If I can ever be of service just call.
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Having read your book, I have recently launched into the fascinating endeavor of locating people. As a result, I have succeeded in finding an individual with a fairly large sum of money.
Ben S., CA

Thank you so much for the methods outlined in your book. I was able to secure $24,685 in just six hours of work. I have read just about all the other "get rich" books but yours has to be the best.
Terrie, T., MI

I had a C-minus average in high school—one year, I received an F in English. By no means was I ever considered to have the smarts. But I did it. All you have to do to make large amounts of money is thumb through phone books and make a few phone calls.

Last summer we moved into a gorgeous home. My wife told me it was her life long dream to own a brand new car. You should have seen her tears of joy when I surprised her with her own new $20,000 car. Later I bought a 1986 Mercedes 560SL that cost me $56,000.

The amount of money I was making was incredible. Just as a hedge against taxes, I bought two three bedroom houses valued at $200,000.

Twenty-five billion is just sitting there waiting for someone to recover it. One out of ten Americans have forgotten or lost money in bank accounts, stocks, insurance premiums, etc. I will disclose a plan to you that will show you how to get your hands on this money.

Only 10 percent of the rightful owners claim their share of the $25 billion. The states make no strong effort to contact the rightful owners. Why should they, when unclaimed property is their biggest source of revenue, second only to taxes? The states are required by law to make a list of unclaimed owners. These lists are hard to find but I will show you how to get every one that the states publish. And in some cases, they're free.

Let me give you a random sample list from the state of Wisconsin. (Addresses are included in lists.)

Owner's Name	Property	Amount
Drinka, Teresa, A	Savings	$10,891.47
Lavelle, Samuel	Stock Proceeds	$21,529.61
McDonnell, Martha	Savings	$12,843.78
Meyer, Thusneida	Savings	$18,489.18
Patterson, Arthur	Savings	$14,629.24
Stien, George	Savings	$57,525.83

This listing is only a minor portion of the $25 billion in unclaimed property that is waiting for you.

To make thousands of dollars, all you need are telephone books and a phone. The proven system in this book can be learned in a half hour. After that, you are all set. **If you can read English and can speak on the phone, you're in business. It's as easy as that.**

Sample Proof

Bonnie Goldstein, a well-known syndicated newspaper writer who doesn't know anything about finding people, located the owners of $4,100 in two and a half hours with two telephone directories—she said so in the *San Francisco Sunday Examiner & Chronicle.*

My Guarantee

Send for my complete guide to recovering unclaimed money. Read the simple formula that has been tailored for each individual state. Sit down and make the required few phone alls and directory searches. **After following the simple formula, you must be able to recover $10,000 in one day** or your complete payment will be returned to you.

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San Diego, CA 92115

Dear Dave:

Send me your complete guide to recovering $25,000,000,000 in unclaimed money on the condition that I must be able to locate $10,000 easily in one day with your book or you will return my entire payment.

On that basis, here is my $10.

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Please add $1 dollar to cover part of the shipping costs. All checks must be accepted by TeleCheck; payments not accepted will be returned in full.

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cism and feminism than racism. That the entire cast is black is political enough.

Townsend is more direct in his assault on establishment (read: white) values, especially Hollywood's attitude toward blacks. Dissatisfied with the mire of humiliating roles open to black actors, Townsend wrote *Hollywood Shuffle* as a vehicle for his considerable comic talents. In it he plays the autobiographical Bobby Taylor, an earnest young actor looking for a worthwhile forum for his talents who, nevertheless, is relegated to pimpdom. Though Bobby's staunchly middle-class family disapproves of his moral compromise—his grandmother reminds him that there's honest work to be had at the post office—Bobby settles for what's apparently the only game in town for a black actor. Confronted with the bleak reality of crotch-grabbing and solecisms, Bobby/Townsend takes refuge in a fantasy world where blacks are the stars of the show.

Although Townsend's acting goals seem confused—he dreams of playing "Rambro: First Young Blood" and "Superman," hardly the ultimate tests of a thespian's craft—his sense of satire is brutally acute. His uproarious parodies include a school for black actors trained by white teachers in the compulsory skills of servantry and thievery and "Sneakin' in the Movies," a recasting of Siskel and Ebert with two "brothers" who dismiss *Amadeus* as highfalutin "bullshit" with a nonchalant flick of the wrist. Townsend also has short sketches about television sit-coms and fast-food employment, a devastating Eddie Murphy imitation, and a send-up of private-eye movies with black detectives, black ingenues, and black bad guys that gives film *noir* a new meaning. These vignettes are priceless.

Townsend's sermons are less successful. When the author/director gives his characters preachy monologues that promote integrity, self-assurance, and dedication, *Hollywood Shuffle* loses its comic momentum and dissolves into a morality play. Townsend's parodies are powerful enough on their own merits; they don't need to be underscored by a somber explanation of "what happens to a dream deferred." The movie actually closes with a rap song that begins: "And the moral of the story is..."

Momentary lapses of self-restraint aside, Townsend's film is a finely gauged blast of rage. It's subversive; while we are laughing at Townsend's exquisite sense of the absurd, black myths systematically explode. The director draws us into a make-believe world where

Robert Townsend financed "Hollywood Shuffle" on his credit cards—and won the gamble.

blacks find gainful employment in a movie called *Attack of the Killer Pimps*, and then we realize it's not so make-believe after all.

The screening I attended was packed. The nearly all-white audience laughed from start to finish. But as Townsend has pointed out in many interviews, we were also witnessing the first—and probably last—time a black man would kiss a black woman on-screen this year. Last year that momentous occasion occurred in, of course, *She's Gotta Have It*.

What's admirable about Lee and Townsend is that instead of merely bemoaning the dearth of black films, these mavericks acted on their convictions and made two brave, irreverent movies. If nothing else, they've succeeded in creating positive, better images of black Americans. Images of a beautiful black woman being pursued by infatuated suitors rather than a violent pimp; images of a black actor playing Rambo instead of Sambo.

Now it's Nola Darling and Bobby Taylor instead of Al Jolson and Stepin Fetchit. There's nothing like a little independence.

A 1987 Chemical Bank Scholar in the Arts, Michael Konik lives in New York City, where he writes about theater for the Village Voice.

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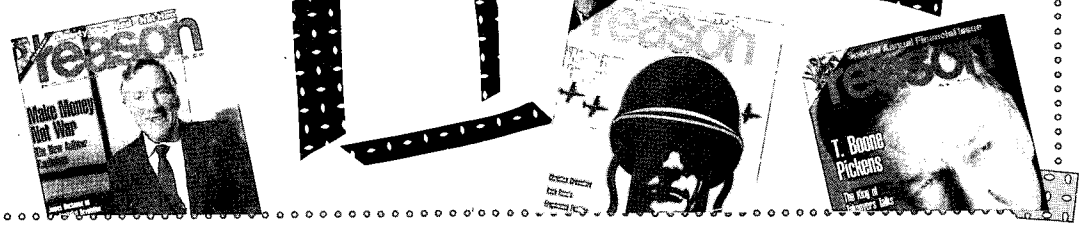

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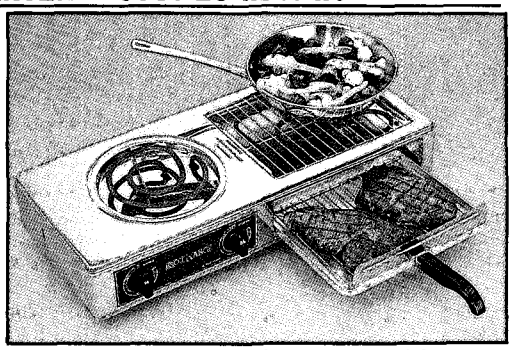

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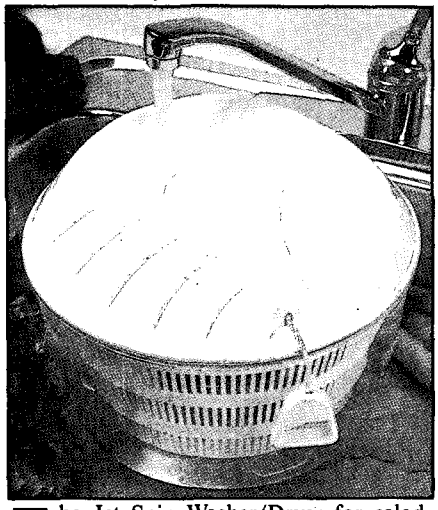

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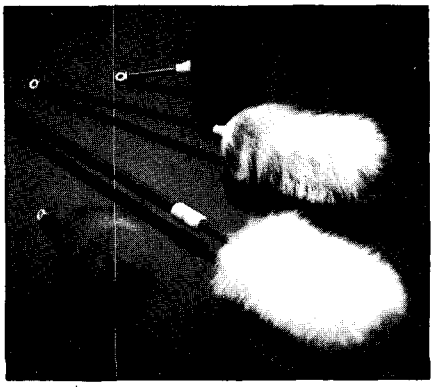

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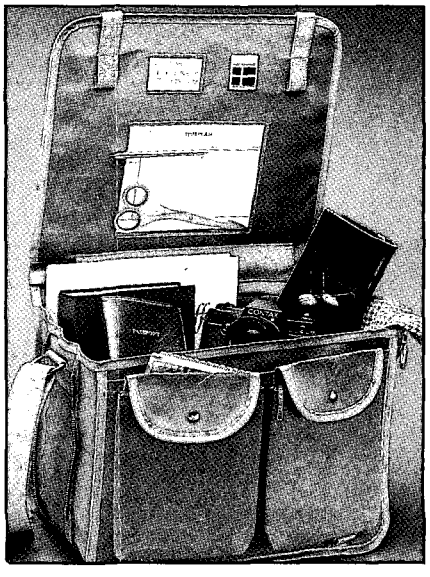

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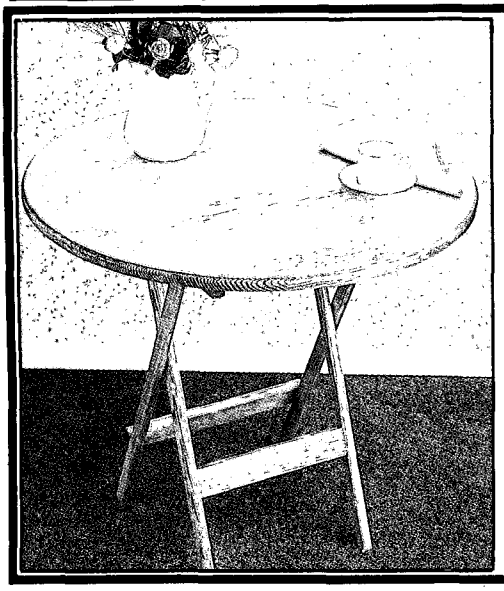

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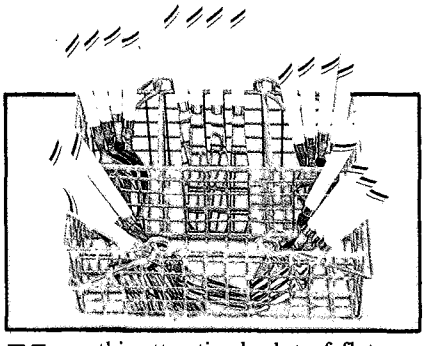

Keep this attractive basket of flatware right out where it's handy — in kitchen, breakfast nook, family room. It saves drawer space and trips back and forth, speeds table setting and looks entirely charming. Perfect for buffet serving, it totes easily to covered dish suppers, patio or picnics. Set includes four five-piece place settings (fork, salad fork, knife, soup and teaspoon). Of stainless steel, with tough ABS plastic handles in white with navy stripes, it goes with everything — and into the dishwasher. Compartmented red-vinyl-coated basket can double for other uses — breadsticks to dried flowers. All at a super price of **$19.00** ($5.95) #A1764X.

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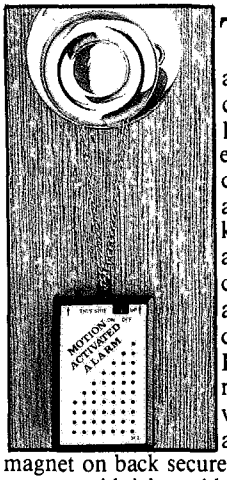

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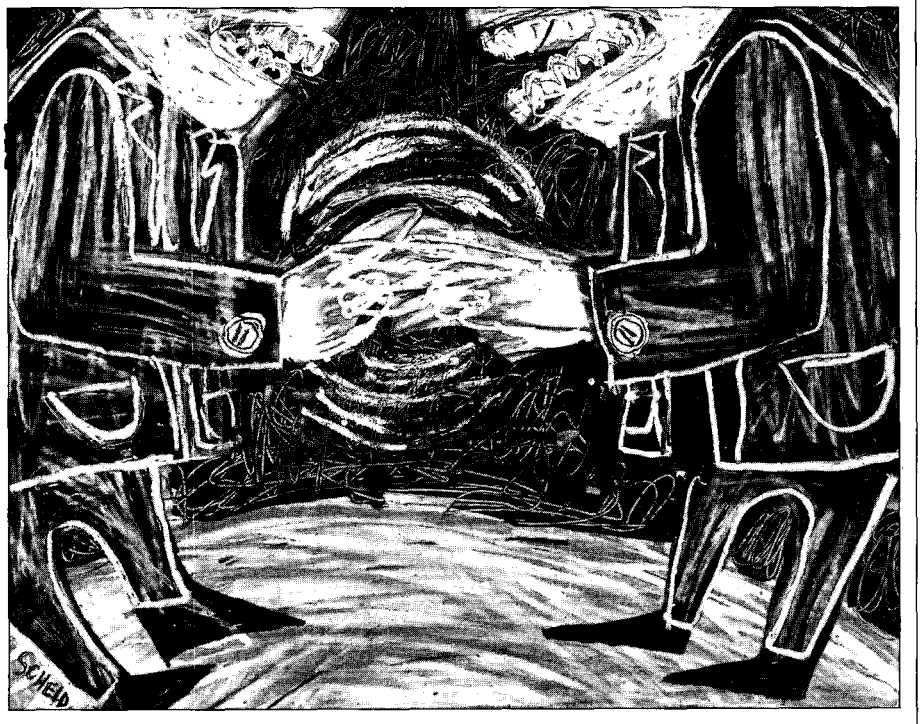
Left Looks at Right

By Edward H. Crane

***The Rise of the Counter-Establishment*, by Sidney Blumenthal**
New York: Times Books, 369 pages, $19.95



Sidney Blumenthal is an interesting young intellectual. A liberal (or so he postures) with a leftist's obsession for ideology, he is a more important journalist than his better-known colleagues at the *Washington Post*. Mary McGrory, Haynes Johnson, and David Broder are veteran defenders of the company town from which they write, but they are from an era of unquestioned liberal hegemony. Their arguments are reflexive and stale, their ability to counter the growing promarket tide blunted by a mindset seemingly clueless to the currents of modern political debate.

Not so Sidney Blumenthal. He is fascinated by political philosophy, especially so because of his valid perception that things are rapidly moving against him and the *Post*. His analysis is often sharp and incisive. "The new ideological politics constantly eludes those using traditional frames of analysis," he writes. One can visualize Blumenthal shaking his lethargic fellow columnists and shouting, "Don't you see what's happening? We're starting to lose control and you don't even know why!" In *The Rise of the Counter-Establishment* he attempts to show why.

This is a sophisticated book, full of insights that will benefit anyone interested in politics and intellectual trends. But there are some glaring (and unnecessary) flaws, the most important of which is the implicit and sometimes explicit assumption throughout that the "counter-establishment" is a trumped-up response to a nonexistent (or at least benign) "establishment."

Conservatives, Blumenthal writes, "imitated something they had imagined, but what they created was not imaginary.... Their factories of ideology—think tanks, institutes, and journals—would win legitimacy for notions that would be translated into policy." It's true of course that the right has somewhat self-consciously set about over the past decade to establish an intellectual and policy infrastructure in America. But to pretend that it was in response to nothing—to an "imaginary" liberal establishment—is laughable.

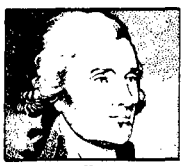
It's not enough even to point to the obvious examples of that establishment: the Ford Foundation, the Brookings Institution, the Rockefeller Foundation, the Carnegie Endowment, the National Education Association, network television, and, yes, the *Washington Post*. The list, if not endless, is formidable.

But what is most powerful about the liberal establishment is its stranglehold on academia. Despite the breakthroughs in departments of economics, American universities are dominated by liberals and leftists (not to mention Marxists). In philosophy, English, history, political science, sociology and every other social science there lurks a liberal establishment nurtured on taxpayer dollars and committed to rationalizing a greater role for the state. To all this, Sidney Blumenthal casts a blind eye.

In fact, Blumenthal sees America as a nonideological mosaic of liberal institutions. His thesis is that the huge and growing bureaucratic infrastructure in America is the result of a natural evolution of our maturing society. Ideology played no role in the emergence of the superstate and properly should play no role in contemporary America. Enter the counter-establishment with its not-so-hidden ideological agenda of reducing the size and scope of government, and suddenly everything's gone haywire.

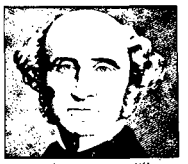
Everywhere, there are challenges to

BETSY SCHELD


Jefferson

Thomas Paine

Adam Smith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the political status quo. Suddenly, inexplicably, the state is the enemy of the people. And the counter-establishment has done it with mirrors or—worse, in Blumenthal's eyes—ideas.

Particularly dangerous, says Blumenthal, is conservatives' emphasis of ideology over party. They "are replacing the old party politics with an ideological politics in which ideas order up images," he writes. Of course, the "old party politics" for which he longs (the kind that innocently led to ever greater government involvement in our lives) has hardly been replaced. But more importantly, it, like the rest of the liberal establishment, is most definitely driven by ideas, even if their proponents prefer to disguise them under wrappings of "pragmatism."

If Blumenthal's motivation for writing this book is suspect, his dissection of the conservative movement is nevertheless entertaining. He is at his best describing the neoconservatives, whose machinations he refers to as "shadow leftism." The neocons, despite their small numbers, are influential: "their strength is the strength of ten because of their fervent faith in ideas." They are "the Trotskyists of Reaganism," he writes, "the only element in American politics whose identity is principally derived from its view of Communism."

Indeed, Blumenthal makes clear that the neocons' identification with the Republican Party (particularly its free-market element) is strained and not of their choosing. Coming from the left, their natural inclination was to work with Democrats, but their closest ally there, Hubert Humphrey, failed to gain national power. When for purely parochial reasons Jimmy Carter turned his back on them, they turned to Ronald Reagan who, after all, "had been a Democrat, a left-winger, from a working-class family."

An entire chapter is devoted to economist Milton Friedman, for whom Blumenthal holds a particular animus. As with many liberal writers, Blumenthal is fixated on Friedman's economic advice to the Pinochet regime in Chile (and as with those other writers, the fact that Friedman gave the same advice to Chinese officials is ignored). He suggests darkly that Pinochet "understood the implications of Friedman better than Friedman has understood them." And what are those implications? Why, what every right-wing dictator and economist lusts for: "deflation, unemployment, bankruptcies, increased monopolization, constriction of the market"—all those good things.

In fact, Blumenthal's amateur interest in economics is a dangerous liability in his attempts to analyze public policy. He actually seems convinced that Friedman's goal in wanting to slow money growth is to create unemployment. He lacks any grasp of the concept of malinvestment, the idea that inflation, by distorting relative prices, carries with it the seeds of a future recession. Or consider this gem: "Over the past decade, leading commercial banks had made more than $845 billion in loans to debtor nations, with the expectation that the money would be repaid in currency cheapened by continuing inflation." Very clever, those banks.

A considerable chunk of *The Rise of the Counter-Establishment* is devoted to analyzing how Ronald Reagan fits into the scheme of things conservative. It's an interesting, if schizophrenic, analysis. Reagan is pictured primarily as a product of what Blumenthal calls the "remnant" conservatives, the old-line free-market types as exemplified by *The Road to Serfdom* author F. A. Hayek (who is rather annoyingly referred to as "von Hayek").

Reagan is supposedly manipulated by Sunbelt businessmen, used by supply-siders and neoconservatives to support contradictory causes, and at the same time we're told that without his leadership there would be no conservative movement. Like many who have tried before, Blumenthal ultimately fails to capture the significance of the Reagan phenomenon.

One of the best parts of the book is devoted to the Reagan administration's disingenuous campaign (with independent neocon support) for the Strategic Defense Initiative. Also on the mark are Blumenthal's barbs directed toward Richard Posner and the economic efficiency school of judicial thought practiced by some conservatives.

Ultimately, though, Blumenthal's insistence that there is no liberal establishment undermines the credibility of his analysis. To take just one example, the John M. Olin Foundation (headed by William E. Simon) is cited no less than 11 times in the book, each in reference to funding some insidious counter-establishment activity out of the income from its (1983) assets of $26 million. What does Sidney Blumenthal think the Ford Foundation does with the income from its assets of $3.9 billion?

Edward H. Crane is president of the Cato Institute in Washington, D.C.

Old Wine in New Bottles

By David Friedman

The Machinery of Greed: Public Authority Abuse and What to Do About It
By Diana B. Henriques, Lexington, Mass.: Lexington Books, 161 pages, $18.95

A wide range of government activities, from building sewers to maintaining turnpikes, is conducted not by conventional government agencies but by "public authorities." The best known is probably the Port Authority of New York and New Jersey, but there are numerous others, most of them at the state and local levels. The public authority is often viewed as a business-like alternative to government-run entities, providing government services free of patronage, red tape, and corruption. Public authorities are supposed, in words attributed to Robert Moses, long-time head of the Port Authority, to be "outside and above politics,...prudent, efficient, economical. And they are more. They are the very epitome of prudence, efficiency, economy."

As Diana Henriques makes clear, public authorities, whatever else they may be, are immune to neither corruption nor political influence. In *The Machinery of Greed* she describes a wide variety of public-authority scandals, includ-

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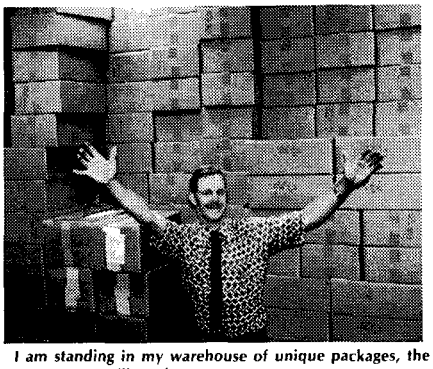

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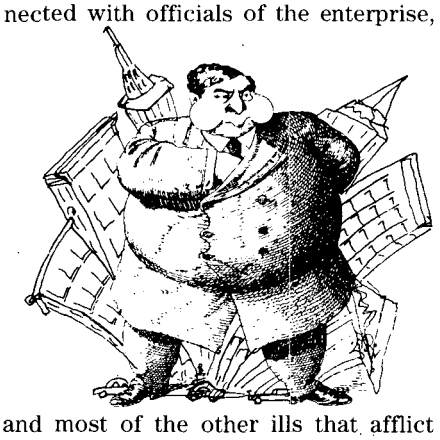
ing one that she, as a reporter for a New Jersey newspaper, was largely responsible for discovering. They include patronage hiring, kickbacks, embezzlement by enterprising employees, awarding of lucrative contracts to firms connected with officials of the enterprise,



and most of the other ills that afflict enterprises both public and private. One is left with the impression that, so far as corruption is concerned, public authorities manage to combine the worst features of government agencies and of private firms.

The author describes, in some detail, how the management structure of public enterprises makes them more vulnerable to corruption than traditional government agencies. The lack of civil service procedures means that managers are free to hire and fire—which frequently means giving jobs as a reward for past political favors or in exchange for future loyalty. The lack of adequate accounting controls makes many public authorities particularly vulnerable to embezzlement. The wide range of objectives and enterprises that characterize some public authorities makes it difficult to tell whether what they are doing has any connection with what they say they are doing.

These problems are not accidental—they result, probably unavoidably, from the attempt to avoid the problems of traditional government administration. "Civil service" is widely regarded as a euphemism for unresponsive bureaucracy—for good reason. Elaborate accounting and management controls can be less favorably described as entangling red tape, and precisely defined goals as bureaucratic compartmentalization.

In offering solutions to the problems of public authorities, the author is caught on the horns of a dilemma, nicely illustrated by the issue of civil service. With civil service rules, it becomes nearly impossible to fire anyone, which is likely to lead to an unresponsive bureaucracy. Without civil service rules, whoever controls the organization can use jobs for political patronage or to ensure loyalty from subordinates. The author's solution: "a merit-based, apolitical personnel system." That, of course, is precisely what civil service was supposed to be. She offers no clear explanation of why we should expect to do any better the second time around.

Henriques sees the problem, but she is not willing to follow her analysis to its logical conclusion. That conclusion is that most of the things government does cannot be done well by government. Public authorities are devices intended to avoid that problem by imitating some of the forms of private firms while retaining the substance of government. The result is, at best, to eliminate certain features of government, such as civil service, at the cost of resurrecting the problems—such as patronage—that those features were created to solve.

There is a reason why government agencies are worse-run than private firms. A small firm is kept honest by the fact that the manager, being the owner, has no one to cheat but himself. A large firm is kept honest by the capital market. If it is badly run it cannot get anyone to buy new issues of its bonds or stocks. If it is sufficiently badly run, somebody finds it in his interest to buy up the existing stock, replace the company's management, and resell the stock at a large profit once the resulting improvement in performance becomes visible.

Neither government agencies nor public authorities face any comparable restraints. Public authorities often get their capital from the bond market, but investors, knowing that if the authority loses money it will almost certainly be bailed out by the government that created it, have no incentive to pay much attention to how well it is run. Government agencies are supposed to be controlled by the voters. But the individual voter has very little incentive to find out whether the agency is well run. One investor's negative vote on a private firm—his decision not to buy the firm's stock—guarantees that he, at least, will not pay for the firm's mistakes. One voter's negative vote on the elected official controlling a public enterprise has no effect at all unless it happens to provide the margin of defeat, which is very unlikely.

Henriques properly rejects the idea that the problem is simply the result of bad individuals in positions of power. She argues, correctly, that if you have large piles of money inadequately guarded you can expect someone to try to steal it. What she does not see is that large sums controlled by government are inherently unguarded, so far as the ultimate victims of the theft are concerned. One can guard against elected thieves selling jobs by instituting civil service—at the cost of turning control over to an entrenched bureaucracy. One can guard against entrenched bureaucrats by giving officials, appointed by elected politicians, the power to freely hire and fire—at the cost of allowing the politicians to sell the jobs. But one can't, in the public sector, guard against both. Changing the form of government from a conventional agency to a public authority doesn't work—the problem is with the substance, not the form.

David Friedman, an economist at Tulane University, is the author of The Machinery of Freedom *and* Price Theory: An Intermediate Text.

Ye Olde Tax Revolt

By Hans Eicholz

The Whiskey Rebellion, by Thomas Slaughter
New York: Oxford University Press, 291 pages, $19.95

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with a huge national debt resulting from the Revolutionary War, Congress sought the power of taxation and won that authority in the Constitution.

At first, it was agreed that revenue would be collected solely through tariffs. But soon an "internal tax," the Whiskey Excise, was applied. In 1794 the tax met with open resistance, but by the end of the year the federal government had forcefully suppressed all protest. With the passing of the rebellion, Thomas Jefferson reflected bitterly: "The first error was to admit [the excise law] by the Constitution; the second, to act on that admission."

In *The Whiskey Rebellion*, Thomas Slaughter preserves the memory of this early trial of American freedom. His treatment is the first book-length scholarly analysis of this western Pennsylvania rebellion in over 40 years. It is a dispassionate study of the various economic, environmental, and ideological factors at work in the conflict, with close attention to the particular actors involved.

The rebellion in 1794 stemmed from the abiding faith of settlers in Revolutionary ideals and from the desperate circumstances of frontier life. Though the conflict centered in western Pennsylvania, Slaughter takes pains to show that the issues involved affected the entire western region, from portions of New York to Kentucky, West Virginia, and Georgia. For years prior to 1776, farmers there had petitioned their colonial governments for increased defense of the frontier and the right to navigate the Mississippi delta region. But eastern legislators were too engrossed in their own affairs to take western demands seriously.

With the onset of the War for Independence, frontiersmen hoped they might yet gain the legislators' attention. Some regions, such as the "state" of Franklin in western North Carolina, petitioned the new state governments for political autonomy, hoping to raise their own armies as separate states. Their requests were denied.

Seven thousand angry farmers and frontiersmen occupied the town of Pittsburgh.

Many entertained thoughts of actual secession from the United States. The majority contented themselves with continued petitioning in hopes of obtaining better defense or political autonomy "legally." With the ratification of the Constitution in 1789, however, an additional burden was placed on western settlers that pushed them beyond the bounds of legality into open resistance.

Requiring increased revenue because of the war debt, Treasury Secretary Alexander Hamilton had pushed for an excise on whiskey as a necessary measure to instill confidence in the government's outstanding obligations. Tariffs were considered insufficient. Opponents of the excise tax insisted that the product of their stills was necessary for trade and payment of laborers during harvest

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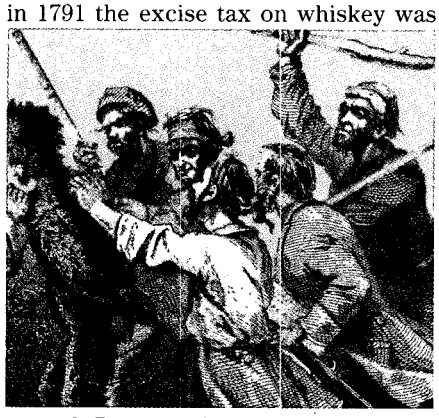
time. A shortage of currency, they pointed out, made whiskey a vital medium of exchange. In addition, opponents of the tax voiced an older fear of internal taxes as opposed to taxes on imports.

Western protests were to no avail, and in 1791 the excise tax on whiskey was



passed. Petitions from informal assemblies asked for the law's repeal, and no taxes were collected in the western counties until 1794. Some frontiersmen were known to have gone to the British in Canada to discuss secession, and Hamilton argued for a show of force. Eventually, stories of western intrigue and Hamilton's persistence convinced President Washington that coercive measures had to be taken. The incident that furnished the final excuse for attack occured in July 1794.

When rumors spread that an overly exuberant tax collector in western Pennsylvania was actually arresting noncompliant distillers and dragging them back east to stand trial, his house and outbuildings were torched. Seven thousand angry farmers and frontiersmen occupied the town of Pittsburgh, banishing seven persons suspected of collaborating with the federal government. By the time government troops reached the town in October, participants in the "rebellion" had broken up and gone home. Few seem to have been serious about engaging in an all-out war.

Unable to finger any one group of perpetrators, government officials began arresting anyone in any way attached to the opposition to the excise. On November 13, "mounted troops struck in the dead of night," driving about 150 half-naked frontiersmen "before a troop of horses at a trot through muddy roads seven miles from Pittsburgh." The prisoners were eventually narrowed to about 20 scapegoats who were paraded through the city of Philadelphia for public humiliation. All but two were acquitted after spending some six months in jail. The two that were found guilty were pardoned by the president in a show of "magnanimity"!

Slaughter has interpreted the Whiskey Rebellion as a conflict between those most concerned about government oppression and those most fearful of social chaos. In this way he hopes to reach a compromise between historians who argue that early American political ideology reflected a liberal individualism and those who argue that Americans were more concerned with community than with individual liberty.

The sides in the struggle, he maintains, correspond roughly to the old "Country" and "Court" party distinctions of Britain—the Country party, those English Whigs in the 17th and early 18th century most deeply suspicious of the central government; and the Court party, the party of the King, the party of central authority. Although Slaughter acknowledges that America's Court and Country parties differed from their English counterparts in their degree of dedication to liberty and order, his use of "Court" and "Country" terminology is unfortunate.

The Court party in British politics was the party of power and corruption. The British Country party defended a balanced constitutional order and civic virtue. While the latter actually describes the friends of order in America, the Hamiltonians, Slaughter argues that Hamiltonians were Court party men. The Country party in Britain, he notes, favored militias over standing armies, extinction of public debt, frequent elections, and more-localized government. But this was also grounded in a belief in the need to balance, constitutionally, the natural social orders of king, aristocracy, and people. American political factions might actually best be described as separate off-shoots of Country party ideology, but not as descendants of the Court and Country dichotomy.

The friends of liberty in America were modern and liberal precisely because they believed in individual rights and liberty to a greater degree than their British Country party predecessors. This is an important aspect of Slaughter's interpretation, but he only serves to complicate this point by applying terms pertaining to a different historical context.

In every other respect, the book is an excellent account of that clash between the friends and foes of America's liberal-individualist revolutionary ideals and sets a superb backdrop to the rest of American political history. Modern political debates reflect the early divisions of centuries past. Jefferson lamented that the power to levy an excise was ever included in the Constitution. One of the greatest friends of liberty in America's history thus recognized the Constitution as an imperfect document written by imperfect men.

Who gets to interpret the Constitution in the years to come merits the close attention of liberty's friends today. Not only is it the bicentennial anniversary of the Constitution, but once again Congress is faced with a tremendous debt, and yet again it searches for revenue.

Hans Eicholz is a graduate student in American history at the University of California, Los Angeles.

The Politics of Mirth: Jonson, Herrick, Milton, Marvell, and the Defense of Old Holiday Pastimes, by Leah S. Marcus, Chicago: University of Chicago Press, 319 pages, $29.00. The Puritans generally get bad reviews in English classes, as they do most places. They weren't much fun and, more particularly, they closed England's theaters and brought the great age of English drama to a crashing end.

Behind the simple good guys/bad guys, art-versus-religion story, however, is a more complicated history in which good guys are hard to find. Yes, the Puritans in England and Presbyterians in Scotland opposed many traditional folkways —maypoles, morris dances, even Christmas festivities—as remnants of paganism. But kings James I and Charles I tried to use these various forms of "public mirth" to suppress middle-class aspirations and bend individualistic Calvinism into an Anglicanism that served the crown. As Leah Marcus, an English professor at the University of Wisconsin at Madison, tells the story through the plays and poetry of the time, the Puritans were more sinned against than sinning.

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In 1618, James I issued *The Book of Sports*, a proclamation that gave an official character to the old holiday customs. The book, writes Marcus, "sought to contain festival by keeping it within the bounds of state religion. Papists who refused to convert were to be barred from participation in all the old pastimes. The 'freedom to be merry' was a privilege available only to faithful adherents of the English church."

Indeed, royal power and privilege were threatened by the erosion of tradition that came with the rise of a mercantile, increasingly urban, and generally Puritan middle class. Mocked relentlessly by conservative playwright Ben Jonson, whose work is amply represented in *The Politics of Mirth*, these uppity souls set little store by the costly pageants and court entertainments they were expected to finance.

Predictably, King James saw the commercial classes as greedy and crass. Like many a modern pol, he decried London's building boom and tried, in 1616, to restrict it: "And for the decrease of new Buildings heere, I would haue the builders restrained, and committed to prison; and if the builders cannot be found, then the workemen to be imprisoned; and not this onely, but likewise the buildings to bee cast downe."

He ordered all gentry and nobility whose business didn't require their presence in London to return to the country "to maintaine Hospitalitie amongst their neighbors"—to throw continuous parties in the traditional style rather than occupy themselves with the grubby business of earning a living or pursuing individual salvation. Is it any wonder the Puritans rebelled, not only against the monarchy but also against the customs it foisted on an unwilling populace?

The one free spirit represented in *The Politics of Mirth* is John Milton, a Puritan but a fiercely individualistic one who served conscience above king or (later) commonwealth. In his masque *Comus*, Milton neither condemns nor exalts traditional revelry. Rather, in this short allegorical drama, he scores the abuse of power that underlies royal enforcement of public mirth. "Advocates of the *Book of Sports* liked to portray political obedience as a form of liberty," writes Marcus. "But in Milton, what may appear to be liberty—a free choice of pleasure—turns out to be base submission."

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Comus is an enchanter, whose invitations to play disguise intentions to enslave. Comus tempts his captive Lady to drink from his cup, chastising her for her pride and employing the appeal to nature and order often expressed by Anglican traditionalists. For them, writes Marcus, "it is precisely this holiday abandonment of one's separate identity and of spiritual experience conceived as a personal quest for righteousness, which brings down divine blessings upon all and enriches and restores the community."

Ritual and tradition are far more powerful—and valuable—than most modernists choose to admit. And, although Marcus does not include them, some playwrights of the period did recognize the possibility of adapting folkways to celebrate, rather than control, the individualism and striving of the new capitalist class.

In *The Shoemaker's Holiday*, for example, Thomas Dekker not only made a shoemaker his hero but lovingly chronicled his rise to wealth and the festivities that accompanied his inauguration as Lord Mayor of London. That neither kings nor Puritans would grant the shoemakers real freedom to be merry is the tragedy of *The Politics of Mirth*.

—Virginia I. Postrel

bookhints *a selective mention of books received for review*

THE FIRST COMPLETE English translation of Francisco Ayala's *Usurpers* (New York: Schocken Books, 178 pp., $15.95) brings to the American reader this compelling collection of historical fiction. Translated by Carolyn Richmond, Ayala's stories are unified by a common theme—all power exercised over others is usurpation—and evoke a scathing portrait of political tyranny.

Another fiction collection, *Bloodsong, and Other Stories of South Africa* (Boston: Houghton Mifflin, 134 pp., $13.95), by Ernst Havemann, illuminates the quiet anguish of South Africa's inhabitants, black and white, in the face of political repression. In contrast to this poignant, dramatic portrayal, Henri Lopes's *The Laughing Cry* (New York and London: Readers International, 257 pages, $16.95/$8.95; distr. in U.S. by Persea Books, New York) lampoons the supreme African dictator—Amin, Bokassa, Mobutu, all in one—in a hilarious satire on government and power politics.

Ethiopia's bout with famine in 1984-85 made worldwide headlines and inspired monumental charitable endeavors. Among those who journeyed to Ethiopia offering his services was Dr. Myles Harris, who led one of the first Red Cross aid teams there. *Breakfast in Hell* (New York, Poseidon Press, 271 pp., $18.95) is his chilling account of his experience—a chronicle in which government pettiness and totalitarian bureaucracy play a prominent role in creating starvation.

The U.S. Catholic bishops' letter on the economy continues to arouse controversy, with the sides generally lining up pro and con capitalism. In *The Catholic Bishops and the Economy: A Debate* (New Brunswick, N.J.: Transaction Books; Bowling Green, Ohio: Social Philosophy and Policy Center, 118 pp., $19.95/$12.95), James Sterba defends the extensive welfare legislation and economic regulation that the bishops advocate, while REASON contributor Douglas Rasmussen ("The Bishops vs. the Bourgeoisie," Dec. 1986) criticizes their views as lacking both moral foundation and economic sense.

Assessing capitalism by a different set of moral, political, and economic terms is *Democratic Capitalism? Essays in Search of a Concept* (Charlottesville: University Press of Virginia, 210 pp., $22.95/$8.95), edited by Fred Baumann. Paul Weaver, Robert Hessen, and others examine the tensions and harmony between capitalism and democracy. Economics and politics are also central to *Liberty and Property: Political Economy and Policymaking in the New Nation: 1789-1812* (Baltimore: Johns Hopkins, 221 pp., $25), by John Nelson, Jr. Nelson offers a new interpretation of the political and economic ideas of Alexander Hamilton and republicans such as Thomas Jefferson.

The conflicting views of the Founding Fathers have influenced the course of American history, often surfacing in Supreme Court cases. *Economic Liberties and the Judiciary* (Washington, D.C.: Cato, 392 pp., $15.95 paper), edited by James Dorn and Henry Manne, offers essays by prominent legal and economic scholars such as Richard Epstein, Bernard Siegan, Antonin Scalia, and Manne, who explore the relationship of economic freedom, law, and the U.S. courts.

Several recent books specifically assess the impact of various labor and employment laws. In *Making America Poorer: The Cost of Labor Law* (Washington, D.C.: Cato, 218 pp., $21.95/$9.95), Morgan Reynolds argues that U.S. labor laws actually reduce the real income of working people, as well as hamper U.S. competitiveness. In another Cato publication, *The Rule of Experts: Occupational Licensing in America* (99 pp., $7.95 paper), S. David Young marshals empirical data showing how occupational licensing harms consumers.

In *Plant Closings: Worker Rights, Management Rights, and the Law* (New Brunswick, N.J.: Transaction Books, 137 pp., $19.95/$12.95), Francis O'Connell, Jr., examines the history of the National Labor Relations Board as well as the common law tradition on management and workers' rights. He criticizes attempts by cities and states to prevent plants from closing, arguing that such efforts are counterproductive.

Plant closings have particularly affected the troubled U.S. steel industry, but Donald Barnett and Robert Crandall describe a bright spot, minimills, in *Up From the Ashes: The Rise of the Steel Minimill in the United States* (Washington, D.C.: Brookings Institution, 135 pp.,$26.95/$9.95).

Showing an excellent grasp of public choice analysis, Dorothy Robyn provides a rich case study of interest-group politics in *Braking the Special Interests: Trucking Deregulation and the Politics of Policy Reform* (Chicago: University of Chicago Press, 295 pp., $24.95). Another public policy book, *The Private Provision of Public Services in Developing Countries* (New York: Oxford University Press, 278 pp., $27), by Gabriel Roth, surveys the potential and record of privatization in developing countries, from power and telecommunications to health and education.

—L. S.

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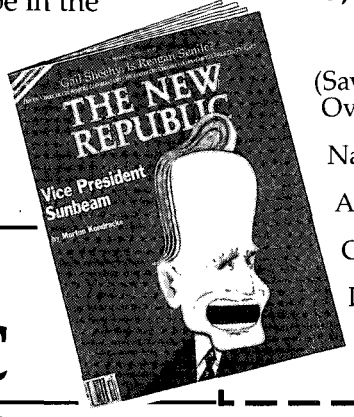

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THE NEW REPUBLIC

THE MINDS THAT MATTER

By Tom Bethell

Welfare for Tyrants

Now Panama's strongman, General Manuel Noriega, is in trouble. Panamanians have been demonstrating against him for months. By adopting leftist rhetoric, Noriega has tried to win the worldwide immunity from hostile opinion enjoyed by socialist governments, but the riots have continued nonetheless.

It seems that the United States is now willing to let Noriega go down to defeat. Secretary of State George Shultz announced in the summer that U.S. foreign aid to Panama, about $25 million annually, was being "interrupted." In 1986 the U.S. also interrupted the flow of foreign aid to two countries—the Philippines and Haiti. Shortly thereafter the governments of both Ferdinand Marcos and "Baby Doc" Duvalier fell and both went into exile. It will be interesting to see whether the same thing happens to Noriega.

The events of 1986 suggest that foreign aid, far from buying us friends abroad, is frequently used to prop up tyrants. Look at what happens when the props are removed. Clarence Long, former Democratic chairman of the House committee that oversees foreign aid, has said that "the foreign aid bill is simply walking around money for the Secretary of State." He meant that its real purpose is to buy influence with foreign heads of state, whether or not the money helps to perpetuate unpopular or destructive policies pursued by its recipients.

Aid to Panama was suspended—as it had been earlier to Marcos and Duvalier—only when unrest there generated headlines in this country. At that point (in the secretary of state's mind) the U.S. domestic political cost of maintaining the status quo began to outweigh the supposed benefits of tranquil bilateral relations. Put another way, placating the White House became a more urgent priority than placating the Foreign Service.

From the point of view of propping up autocrats, the most important component of foreign aid is the category

called Economic Support Funds (ESF). This is a U.S. Treasury check that is in effect put at the disposal of the recipient country's head of state. As one official at the U.S. Agency for International Development (AID) put it to me, ESF "leaves no local audit trail." With this money the local ruler can buy himself a Praetorian Guard. He can protect himself from his own citizens.

Foreign aid of this type should be considered as harmful to recipient countries as domestic welfare is to inner cities. One AID official has likened ESF to methadone—a drug that protects addicts from reality. To change the metaphor, when a car engine develops trouble, the defect can for a while be obscured by adding more oil. But when the driver finds he has to add more and more oil, at shorter intervals, if he's smart he probably gets the message that there is an underlying defect, and he takes the car in for repairs.

Ever-increasing doses of ESF likewise tell us that in all probability a foreign ruler is being spared the pain of correcting an underlying defect of government. Remove the "oil," or the ESF check, and the ruler suddenly knows that he is in trouble.

A look at AID's "Congressional Presentation" volumes, giving the details of foreign aid, shows that Panama received a $50-million ESF check in fiscal year 1985, supposedly "to enable AID to support the first elected Panamanian government in 16 years as it confronts the challenges of implementing the World Bank's structural adjustment program." (This is just an elaborate way of describing an attempt to buy Noriega's friendship. Notice also the way U.S. policy represents itself as being at the mercy of the World Bank.) By FY 1986 the ESF check had been reduced to $5 million, and now it is zero. (Current U.S. foreign aid in Panama is devoted to infrastructure projects.) So in a sense the foreign aid "prop" was already withdrawn a year ago.

Other countries that have in recent years received large and growing amounts of U.S. foreign aid in the form of ESF checks are: Israel, Egypt, the Sudan, Pakistan, the Philippines, El Salvador, Costa Rica, Honduras, and Jamaica. In the Reagan years, for example, the ESF "oil" to Ferdinand Marcos went from $50 million a year to $300 million in 1986. We are continuing to give unwarrantedly large amounts of money to his replacement, Mrs. Corazon Aquino, who would be better off and well advised to become independent of the United States as soon as possible. She should not hesitate to support the removal of U.S. bases as a means of achieving this independence.

Foreign countries not only don't need foreign aid. It is positively destructive to them—even when it isn't propping up a dictator. To cite just one example, domestic tranquility and economic performance in Israel have declined since we began dumping dollars on that country in the wake of the Camp David Accords. Rising unrest in Egypt can probably also be traced to U.S. aid.

After many disasters, Americans are beginning to learn that domestic welfare harms Americans. It is time that we also began to learn that foreign welfare harms foreigners.

Contributing Editor Tom Bethell is a media fellow at the Hoover Institution.

MICHAEL KNEPP

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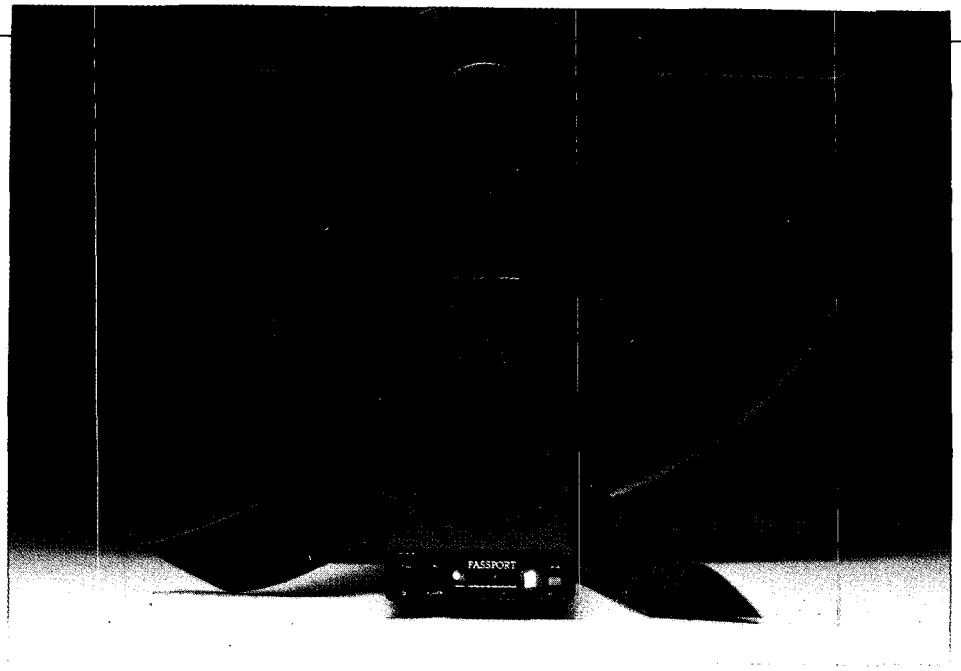


Pure Joy

(And we'll deliver...tomorrow morning)*

Imagine a superbly crafted electronic instrument, powerful enough to protect against traffic radar, miniaturized enough to slip into a shirt pocket, beautiful enough to win an international design award—and advanced enough, thanks to its sophisticated Rashid-rejection circuitry, to obsolete the detectors of every other maker.

Then imagine finding one with your name on it.

Money
MAY 1987

Best Anywhere

Money magazine, May 1987, listed 99 Things That Americans Make Best. "All of these widely available U.S.-made goods...are clearly superior to their overseas competitors, overwhelmingly dominate their markets or are so outstanding or novel that they have no well-known international counterpart."

This select list included PASSPORT.

PASSPORT has exactly what the discerning driver seeks; superheterodyne performance with complete Rashid rejection. On duty, it maintains a commendably low profile, only 0.75 inch tall. It's about the size of a cassette tape.

An instrument providing so much protection always elicits the same response...Pure Joy.

Others may put it differently. In April, *Car and Driver* tested nine of the latest radar detectors. Once again PASSPORT was rated highest. These magazine experts said, "At $295 direct from the factory, it's the most expensive piece of electronic protection in the group, but it's worth every nickel in roadgoing peace of mind."

This good reputation keeps getting better. In June, the *Roundel* ranked PASSPORT first in a comparison of 14 detectors, saying, "It remains the State of the Art, a true quality product, American ingenuity at its best."

Installing PASSPORT is easy. Just clip to visor or windshield, plug into the lighter, and PASSPORT is on guard.

Toll Free 800-543-1608
(Mon-Fri 8am-11pm, Sat-Sun 9:30-6 EST)

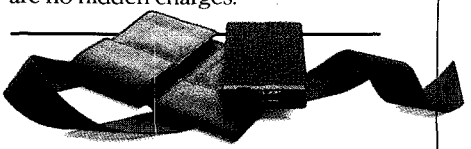
PASSPORT®
RADAR·RECEIVER

$295 (OH res. add $16.23 tax)
Slightly higher in Canada

MasterCard VISA DINERS CLUB INTERNATIONAL

Cincinnati Microwave
Department 313N7
One Microwave Plaza
Cincinnati, Ohio 45249-9502

Pure Joy is also our commitment to you, the giver. If PASSPORT doesn't live up to your highest hopes—for any reason—within 30 days, just send it back. We'll refund all of your money and your return shipping costs. There are no hidden charges.



PASSPORT comes with its own leather case.

Here's one more PASSPORT advantage: we deliver. PASSPORT is designed and made by us, and we sell it directly to you. So you can avoid crowded stores and waiting in lines. Just call us toll-free. We'll pay for shipment by UPS, and a gift box is available at no extra charge. Orders in by 3:00 pm eastern time Monday through Friday go out the same day.

* Overnight delivery is guaranteed by Federal Express for only $10 extra. So you can have your PASSPORT tomorrow morning if you choose.

With shopping this easy, PASSPORT takes the hassle out of giving. But the best part is still that special moment when the wrapping is torn away...Pure Joy.

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